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BY MICHAEL GERSON  
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# FINANCIAL TIMES

Saturday July 5 1986

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## WORLD NEWS

### Policeman cleared over boy's death

PC Brian Chester was cleared in Stafford Crown Court yesterday of the manslaughter of five-year-old John Short-house.

The boy was shot in the heart from a range of nine inches as he lay in bed during a police raid on his parents' Birmingham house in August. The defence said the shooting was accidental.

PC Chester remains suspended from the force and may face police disciplinary action over the shooting.

### Mediator for Rome

Italy's President Cossiga appointed former Premier Amintore Fanfani to negotiate between Socialists and Christian Democrats, as the government crisis worsened.

### Israeli 'spy trial'

An Israeli military intelligence officer is reported to be on trial for spying for Syria, a case likely to embarrass the Government.

### Death warrants signed

Malaysian authorities signed death warrants for two Australian drug smugglers, Kevin Barlow, British-born, while appeals were still being heard.

### Dublin plea on marches

The Irish Government is to press Britain to protect the lives and property of Roman Catholics in Northern Ireland during the Protestant marching season beginning soon. Page 4

### Royals 'not IRA targets'

The IRA will not attack members of the Royal Family, a spokesman told Dublin's *Magill* magazine.

### Government tax claim

Postponing the privatisation of water authorities has not reduced the scope for cutting income tax in the next budget, the Government insisted. Page 3

### Ten die in Punjab

Ten people died in violence in Punjab, north-west India. A carload of Sikhs drove around Amritsar, shooting dead six people before being stopped in a police gun-battle.

### Iraq claims victory

Iraq said its forces crushed a big Iranian attack, causing thousands of casualties in the Mehran area of the south-central Gulf war front.

### Prison officers walk out

Fifty women prison officers at Hrisley remand centre, Warrington, walked out in dispute over staffing levels.

### Second degree at 14

Ruth Lawrence, 14, has won a first-class degree in physics at Oxford, a year after receiving another in mathematics.

### Anti-smoking campaign

The Government is to mount a campaign to deter people under 16 from smoking, the Commons was told.

### Censors move in

Censors moved into Kuwait newspaper offices after the Emir acted to suspend the country's democratic process. Page 2

### India fight back

India were 182 for three (Armanath 59 no) after the second day of the third test at Edgbaston, replying to England's 390 (Gatting 183 no).

### Becker v. Lendi

Boris Becker (West Germany) beat Henri Leconte (France) 6-2, 6-4, 6-7, 6-3 and Ivan Lendl (Czech) beat Slobodan Zivonovic (Yugo) 6-2, 6-7, 6-3, 6-7, 6-4 at Wimbledon; they will meet in the men's singles final.

### Constructive guilt

A villager in Selokajang, East Java, was fined 4,000 bricks for committing adultery, and his bicycle was confiscated so he would not repeat the offence in other villages.

## BUSINESS SUMMARY

### Lloyds' bid extension considered

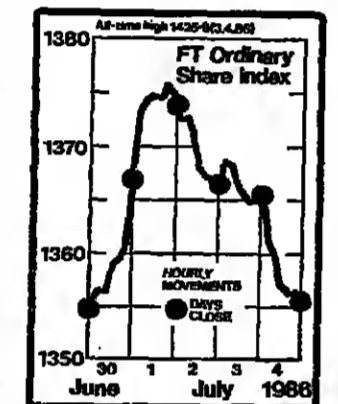
TAKEOVER PANEL is to meet on Monday to decide whether to extend the August 2 deadline for Lloyds Bank's £1.3bn bid for Standard Chartered Bank.

Schroders, Standard's merchant bank, had complained that Lloyds' inability to meet the date, caused by delays in obtaining clearance from US authorities to buy California subsidiary Union Bank, had created a false market in Standard's shares. Back Page

PRIVATE banks and governments need to increase lending to developing countries if the economic growth in Third World is to be sustained, said Jacques de Larosiere, IMF managing director. Back Page

TV-AM, breakfast television station, is to join the United Securities Market on Tuesday in an offer for sale which will value the company at more than \$40m. Back Page

FT ORDINARY share index ended the day 9.2 down at 1356.5 after leading shares eased on a combination of light



selling and profit-taking. The index was 2.1 higher over the week. Stock Exchange, Page 11

SWEDEN: Plans to restructure the pharmaceutical and biotechnology industry which collapsed over the revelation that Refaet el-Sayed, majority shareholder of Fermenta, had faked academic credentials have been revived without Fermenta's involvement. Back Page

DEFENCE Ministry will be "both fair and tough" in getting the best value from the £2bn a year it spends on British equipment, Defence Secretary George Younger said. Page 3

CHINA has allowed the issue and discounting of commercial paper for the first time since the Communist revolution in 1949 in an attempt to bail out enterprises threatened by a credit squeeze. Page 2

BL, UK state-owned car maker's share of the domestic market fell to 16.57 per cent in the first half of the year compared with 18.04 last year and sales dropped to 159,821 from 170,262. Page 3

VOLKSWAGEN, West German motor group, said first-half deliveries by volume had surged and announced plans for a series of large capital-raising exercises. Page 9

AUSTRALIAN Government attempted to calm the dollar market by insisting it would push through tough policies in order to stem the country's external deficit. Page 2; Money markets, Page 9

COCOA: Return of Ivory Coast, world's largest producer, to negotiations has failed to lift the pessimistic mood about prospects for an international price accord at talks starting in Geneva on Monday. Page 11

SINGAPORE: Directors of City Securities, troubled brokerage house, began efforts to rescue the firm after a court appointed a provisional liquidator. Page 9

NORTH SEA: Owners of supply ships agreed to reduced cost-saving measures in a deal with the seamen's union ending a strike involving 30 vessels which began on Thursday. Page 4

US MARKETS were closed yesterday for the Independence Day holiday.

## Americans revel in their 'party of the century'

BY WILLIAM HALL IN NEW YORK

PRESIDENT and Mrs Reagan are staying on the Rockefeller estate and Lee Iacocca, Chrysler's larger-than-life chairman, has found a room at the Waldorf-Astoria, but millions of other Americans who poured into New York this weekend to celebrate the Statue of Liberty's 100th birthday will have to pitch tents or go without sleep.

New York's mayor, Ed Koch, who is in danger of being outshone by dozens of stars who have descended on his city, said last week that the Statue of Liberty celebrations were going to be "the party of the century." He had "invited the whole world."

Judging by the number of native New Yorkers leaving the city on Thursday, his threat was taken seriously.

Up to 10m spectators were expected to turn up for the four-day, "Liberty Weekend" celebrations which rank as a mega-event even by American standards. They include the highest fireworks display in US history, the greatest gathering of coast guard and auxiliary vessels since the Second World War, the highest security mobilisation in New York's history and the highest street fair Manhattan has seen.

Marshalling the supplies and the performers for Miss Liberty's birthday has been a daunting task and has strained the extraordinary talents of Mr David Wolper, the Hollywood producer who was hired to ensure that the more than 1m people around the world who were expected to tune into the opening ceremonies got their money's worth.

Four hundred and fifty miles of hot dogs, 21 naval vessels from 13 countries, 7m cases of soda, 10 tonnes of fireworks, 400 portable toilets, 200 dancing Elvis Presley lookalikes, 40,000 small craft and 23 tall ships, dignitaries ranging from President Francois Mitterrand of France to Elizabeth Taylor and Henry Kissinger. All have a part to play in what Mr Wolper hopes will be remembered as a "glorious page in the history of our country."

On Thursday, President Reagan opened the four-day extravaganza by triggering

a series of laser beams which lit up the refurbished statue. Yesterday he reviewed the tall ships parading down the Hudson River from the battleship Iowa. Today and tomorrow the party goes on, culminating in a closing ceremony at the New York Giants' stadium which will feature more stars than there are in heaven, to harrow an old Hollywood phrase.

The sponsors stress that the cost of this razzmatazz is not coming out of the \$277m (£147m) Mr Iacocca, chairman of the organising committee, has raised. Continued on Back Page

Continued on Back Page

## Lower mortgage rate fuels life cover boom

BY ERIC SHORT

LEADING life assurance companies are enjoying an unprecedented boom in mortgage-related life business, thanks to the buoyant mortgage market and falling interest rates.

The four top companies involved—Standard Life Assurance, Scottish Amicable Life Assurance Society, Norwich Union and Friends Provident Life Office—have seen their business double, on average, in the first six months of this year, compared with January-June 1985.

As a result, the companies have been recruiting extra staff, including temporary workers, and introducing overtime and weekend working. But problems remain in handling applications, although computers have been bearing the brunt of the extra work.

The increase in staff follows several years of declining num-

bers through computerisation. House-buyers usually have to choose to meet their mortgage obligations, either by the repayment method, under which the amount borrowed and interest on the balance are repaid during the contracted period, or by the endowment method, under which only interest payments are made during the contracted period and the loan is paid off at the end of the period from the proceeds of a life policy at maturity.

Until this year, endowment mortgages cost more than repayment ones, though borrowers benefited from the tax-free lump sum available at the end of the period. Building societies in general have now abolished the higher interest rates charged on endowment mortgages. Combined with the general fall in interest rates, this has made these com-

petitive in cost, compared with repayment mortgages. The additional lump-sum benefit has become the decisive factor that makes borrowers opt for endowment mortgages.

Building societies, which receive commission from the life companies, have been carrying out mail campaigns to existing borrowers with repayment mortgages, to offer them the opportunity to switch to endowment. Many are doing so.

Also, more and more new borrowers are taking endowment mortgages. Halifax Building Society, Britain's largest, says 70 per cent of new borrowers are taking them. At Abbey National Building Society, the proportion is a shade less than 60 per cent. A year ago, it was little more than 50 per cent.

Continued on Back Page

## Unilever to axe 1,920 jobs at Wall's factories

BY CHRISTOPHER PARKES

UNILEVER, the Anglo-Dutch consumer products group, is to spend £25m updating its British meat processing business. Three factories run by its Mattessons Wall's subsidiary are to be closed by the end of 1986 with the loss of 1,920 jobs.

Meanwhile, fresh capacity will be built on a new site in the south Midlands. This operation and the introduction of two distribution centres, are expected to employ about 1,100.

About 1,000 jobs will go at the sausage and pie works in Southall, west London, 300 at the salads and cooked and sliced meats factory in Chippenham, Glos, and a further 550 at Dyce, Scotland, where bacon, sausages and pies are produced.

The company will also close, by the end of this year, its last UK slaughtering operations in Godley, Cheshire, at a cost of 70 jobs. However, processing at

Godley will continue, using bought-in meat.

Unilever's other factories at West Ham, east London, Durham and Evesham, Worcs, will also stay open, although their product ranges will be changed. Ham production, for example, will be concentrated in Durham and West Ham, and all sliced meat output will shift to the new plant.

Mr Wim Kok, the Dutch chairman of Mattessons Wall's, said the rationalisation was the natural sequel to moves in January when Mattessons and Wall's were merged and their head office and sales departments were integrated.

He said: "Our configuration is out of date. The old factories were set up when there were no motorways and little refrigeration. They had to be close to the point of sale and so there had to be lots of factories."

The two new distribution centres—one near the new south Midlands factory and near Manchester—will deal with shipments now handled at six sites.

Concentration of retailing power in the hands of a small number of large chains with ever-larger stores had also played an important role in the decision to restructure.

Unilever's move follows a pattern set by other leading manufacturers of mass-market foods. Last year, British Bakeries, a subsidiary of Ranks Hovis McDougall, completed a rationalisation programme which involved closing 30 bakeries.

The group is now left with nine very large factories running in a line down the backbone of Britain from Glasgow to Crawley, Sussex, and a sprinkling of satellite plants serving local and speciality markets.

## Fund sponsors curtail backing for Business Expansion Scheme

BY ALICE RAWSTHORN

TWO OF the biggest sponsors of the Government's Business Expansion Scheme have decided to curtail their activities in business expansion funds, which assemble investment portfolios of companies financed by the scheme.

Electra, the venture capital concern, and County, the merchant banking arm of National Westminster Bank, have opted not to sponsor further funds.

The BES has been controversial since it was launched three years ago. The Government conceived it as a means of stimulating individual investment in young, entrepreneurial companies through offers of generous tax incentives to investors.

Individual investors, however, have tended to regard it as a tax play rather than as an in-

vestment vehicle, while some less scrupulous sponsors have used it as a source of quick profit.

Electra became one of the most active sponsors of business expansion funds. In the last four years it raised more than £20m to invest in 50 companies through the funds, the first of which was launched under the aegis of the business start-up scheme.

Electra has decided not to launch what would have been its fifth scheme for the current tax year, although it will continue to manage the four established funds.

County generated £8.4m in the last three years for investment in 20 companies through three funds administered by its County Business Expansion Funds subsidiary.

Mr Richard Bowes, County's principal fund executive, said: "We found that administering the funds absorbed a great deal of effort for very little reward."

"We also found that there was a great deal of competition among sponsors for the very good companies and that, after three years of the scheme, investor interest is waning."

When the BES was introduced, funds absorbed a high proportion of the capital invested. As it has matured, however, investors have turned towards subscription to direct issues.

Funds raised £31.3m in 1985, compared with £34.5m in 1984. This trend has already prompted several smaller sponsors to consider withdrawal from funds.

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For London market and latest share index 01-346 8026; overseas markets 01-346 8086

## WEEKEND FT

### COVENT GARDEN

Eliza Doolittle would be amazed. The transformation of Covent Garden has been a success for the stall holders who exhibit their crafts, for shoppers seeking something special, and for the GLC which oversaw its development. Now decisions must be made about the future.

Our special report focuses on property

(Pages XVI, XVII), the community (XV), the Royal Opera House (XV) and the shops (XVI, XVII)



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## MARKETS

<b>DOLLAR</b>	<b>GOLD</b>
London: DM 2.1755 (2.1735)	London: \$344 (same)
FF 6.9475 (6.95)	<b>LONDON MONEY</b>
SwFr 1.765 (1.767)	3-month interbank closing rate
Y180.5 (181.35)	8½% (same)
Tokyo close Y180.9	<b>NORTH SEA OIL</b>
US markets closed for Independence Day	Brent 15-day July \$10 (\$10.15)
	<b>STOCK INDICES</b>
	FT Ord 1356.5 (-0.2)
	FT-A All Share 516.09 (-0.3%)
	FT-SE 100 1648.4 (-0.8)
	FT-A long gilt yield index:
	High coupon 9.16 (9.27)
	Tokyo:
	Nikkei 17,597.73 (-94.07)

Chief price changes yesterday. Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium Sfr 45; Denmark Dkr 8; France Fr 60; Germany DM 2.20; Ireland Pst 2.20; Italy L1,500; Malta 30c; Netherlands Fl 2.75; Norway Nkr 7.00; Portugal Esc 90; Spain Pta 125; Sweden









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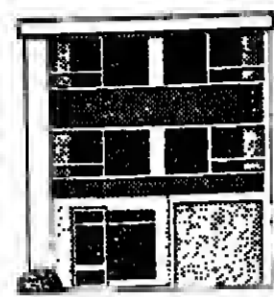


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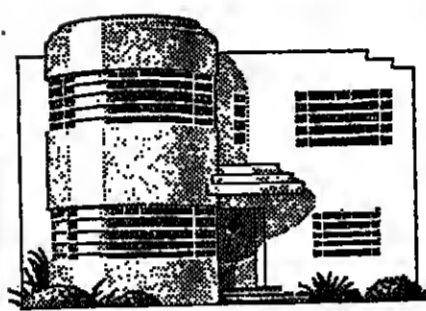


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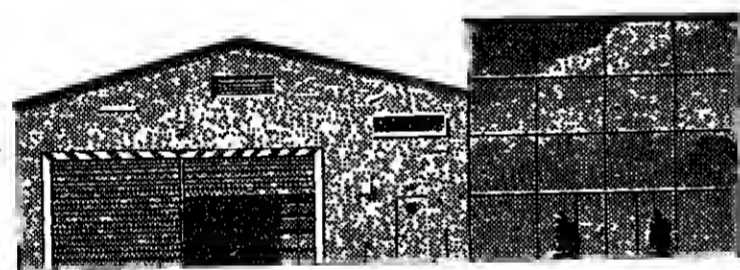


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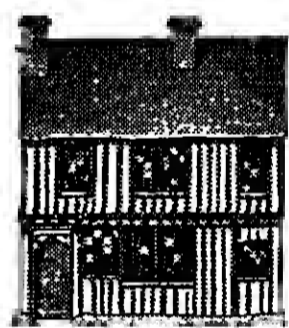


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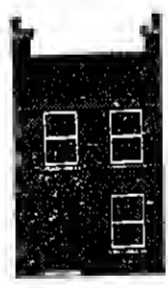
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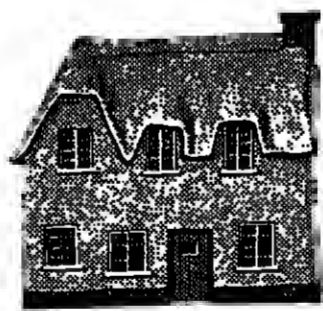


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## UK COMPANY NEWS

## M and G stays loyal to McKechnie in bid battle

BY DAVID GOODHART

The hard fought £165m bid by fast-growing Evered Holdings for McKechnie Brothers, the Midlands engineering and plastics group, was last night described as "resolving on a knife edge" prior to its Monday 1pm close.

M and G, the largest institutional shareholder in McKechnie with just under 10 per cent, revealed that it would be staying loyal. Mr Nigel Harrison, a director, said: "We have seen both sides, discussed it thoroughly and, on balance, have decided to side with McKechnie."

Mr Richard Tompkins of Robert Fleming, Evered's merchant bank, put a brave face on the M and G decision, saying:

that he was not expected and that other institutions had pledged their support to Evered. He added that he was still confident of victory but conceded that "it is going to be very close."

Fleming was also active in the market yesterday taking Evered's purchases to over 15 per cent—helped by the fact that McKechnie's share price dropped to 10p below the cash alternative. Purchases and a small number of acceptances now give Evered just under 20 per cent.

Evered was clear favourite to win control when it launched the bid in April but a surprise late defensive run by McKechnie and the drop in Evered's share

price has probably just swung it the other way.

McKechnie has also been aided by the more critical attitude towards takeovers and the recent escape of APV Holdings and Woolworth. As one insider said yesterday: "The climate seems to be changing as far as these things go."

McKechnie Brothers was celebrating yesterday as Independence Day and was confident that it had done enough to see off Evered. Defeat could be traumatic for Evered. As one analyst put it, referring to the stakes it will then have in TI and McKechnie, "it will leave them looking more like an investment trust."

McKechnie fell 10p to 230p and Evered fell 10p to 272p.

## Common Bros. sells loss-making drillship

By David Goodhart

Common Brothers, the shipping company rescued from financial collapse by shareholders and bankers one year ago, has finally sold for a nominal 100 US dollars the underutilised drillship the Iro Frigg.

The Iro Frigg has been partly responsible for major losses in recent years reaching £29.1m in the year to June 1984. In the second part of 1984 losses touched £17.9m which included an exceptional writedown of the Iro Frigg of £8.6m.

In the six months to the end of last year—following the reconstruction—pre-tax losses had been cut to £630,000 but depreciation, interest and port lay-up costs for Iro Frigg still amounted to £1,015m. Losses in the date of disposal, June 30 1986, are likely to be about the same again.

Mr David Prince, the financial controller of Common Brothers, said he was relieved to see the ship which has been "not been much benefit over the past three years."

It has been sold to the Arizona Shipping Corporation which is however, associated with an unnamed "international finance company substantially involved in shipping." Mr Prince said they had probably bought it as "a speculative investment."

The purchaser will take on the Iro Frigg company loan which is secured against the ship. The Iro Frigg has been laid up since July 1983.

## Hillsdown

Hillsdown Holdings has increased its agreed offer for North Devon Meat, a farmers' co-operative which operates an abattoir and processing facilities, to £2.5m from £1.1m. The offer is to be made in cash and with a two-for-one share swap.

Hillsdown is now offering 15.5p for every Devon share or five Hillsdown shares for every 11 of Devon. It originally offered 12.5p cash or a two-for-one share swap.

## Parkfield pays £15m for three private companies

BY DAVID GOODHART

Parkfield Group, the latest addition to the fast-growing mini-conglomerate club, yesterday announced the acquisition of three companies for a total of £14.5m which will more than double its size by turnover.

Parkfield, an engineering and electrical distribution group which, like some other mini-conglomerates, grew out of an iron foundry under the guidance of an entrepreneur, Mr Roger Felber, has been one of the strongest performing USM-quoted companies of recent years.

The companies acquired, all privately-owned, are Lightning Distributors for £6.5m and J and B Labore and RM Fabrications—both owned by Morch Holdings—for £8.3m.

Lighting acts as a wholesale distributor to the retail trade in records, video cassettes, consumer electronics and computers. Sales and pre-tax profits have grown from £9.2m and £48,000 respectively in the year ended July 31, 1982, to £29.8m and £1.04m for the nine months ended April 30, 1986.

Labore distributes a wide range of heating products and for the year ending March 31, 1986 made pre-tax profit of £972,000 on sales of £23m.

## DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding div.	Total for year	Total last year
Anglo Nordic	nil	—	1	0.4	1.4
Belgrave Hldgs.	4.5	—	4.2	4.5	4.2
Bertam	0.95	—	1.25	0.95	1.25
Berkeley Technol. Int.	3p	Nov. 1	2.3	nil	9.1
Braithwaite	nil	—	5.1	nil	5.3
Imry Property	3.9	—	3.6	3.7	3.7
Oakwood	int.	—	2	—	5

Dividends shown in pence per share except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ US cents throughout.

RM is involved in high technology manufacturing for the gas industry and has recently developed joint patents with the Gas Engineering Research Stations for joining polyethylene pipe to a wide range of other materials.

For the year to 31 March 1986 it achieved pre-tax profits of £577,000 on turnover of £4m and hopes to expand into the water industry and export markets.

Parkfield is issuing a total of 3.5m new shares—about 40 per cent of the enlarged capital—most of which are

going straight to institutions through vendor placements. The management are staking out in all companies and it has been agreed that Lightning will loan Parkfield £3.5m at a two per cent interest rate with the timing of repayment dependent upon Lightning's profit performance.

Mr Felber said that all the companies were performing well and would fit well with the existing businesses. He is planning to take Parkfield to the main market later this year.

Its share price yesterday rose 25p to close at 545p.

## Berkeley Technology profits beat expectations

Berkeley Technology, the US development capital and corporate finance specialist, made just under \$8m pre-tax in the first half of 1986 compared with just over \$4m (£2.6m) in the corresponding five month period.

Mr Arthur I. Trueger, the chairman, said the result exceeded expectations. Successes occurred in all three areas of Berkeley's earnings base: fees from placement activities increased, capital gains were realised on the group's own portfolio of development capital assets, and new funds brought under management enhanced future fee and profit sharing income.

Two new development capital funds were completed during the first half. Dunedin Berkeley Development Capital raised \$3.5m, predominantly from US South investors. JMI Berkeley Development Capital was formed with \$30m capitalisation.

Mr Trueger said that \$25m of the fund's capital was being utilised to purchase stakes in companies from the existing portfolios of Berkeley's investor clients.

"The addition of annual fees on managed funds, as well as an annual and recurring yield on several investments," he broadened the "base" of revenues," he added.

Fee income during the interim period totalled \$5.6m (£3.65m) for five months, an increase on the \$4.5m (£2.8m) for the same period last year. Operating profits were \$5.5m (£3.47m), but the pre-tax balance benefited this year from \$2.44m profits on realisation of investments.

Earnings per share were 11.5c (£6.1) and the interim dividend is raised by 0.7c to 3c. The company is based in Jersey Channel Islands.

## Oakwood slips in first half

Oakwood Group, sanitarians, wholesaler and civil engineer, reported slightly lower pre-tax profits of \$66,000 for the half year to March 31 1986, against \$68,000 last year. Turnover slipped from \$5.34m to \$5.05m.

The interim dividend has been omitted, but the board said there would be a payment for the year as a whole. Last year, an interim of 2p net was followed by a final of 3p.

After tax of £23,000 (£22,000) first-half earnings per 25p share dropped from 2.5p to 2.1p.

The directors said satisfactory profits from civil and electrical contracting were again eroded by the results from the wholesaling of building materials.

Progress had been made both in enhancing the management structure and premises of the wholesaling activities. But the directors said it would take time for the effect of these actions to be reflected in earnings.

The future shape of this part of the group's business would be more apparent when full year results were announced, they added.

Net tangible assets per share were 17.9p (£16p).

BET, the international services company, has declared its 250m offer for Shorrock, the security concern, unconditional after winning control of 50.2 per cent of Shorrock.

Since the offer was announced last month, BET has bought 3.6m Shorrock shares (14.9 per cent) and has received acceptance in respect of 8.6m shares (35.8 per cent).

A. F. Bulgin & Company, maker of electronic and electrical components, made slow but steady progress in the year to January 31, 1986.

On little changed turnover of £8.88m (£8.84m), pre-tax profit rose from £188,000 to £234,000. The result was struck after exceptional costs of £255,000 (£191,000).

Following the omission of the interim and last year's final there is a nominal final payment of 0.1p (0.5p interim in 1984-85). Stated earnings per share increased from 0.36 to 0.54p.

Tax took £82,000 (£87,000) and there were much higher extraordinary charges of £555,000 (£7,000).

approval of the transaction by its shareholders.

AMALGAMATED FINANCIAL Investments made £123.0 (£225.086) pre-tax in year ended March 1986. Tax was £8 (£21.584) and there was £205,795 extraordinary provision against amounts due from company's Nigerian associates, recoverability of which is not doubtful. No dividends have yet been paid.

LADSBROKE INDEX  
1354.136 (1-7)  
Based on FT Index  
Tel: 01-427 3111

## Anglo-Nordic falls into the red

CURRENCY LOSS provisions and reorganisation costs, together with a small trading loss, were responsible for pre-tax losses of £58,000 at Anglo-Nordic Holdings in the year to March 31 1986, the directors stated. This compared with a profit of £1.32m last time. At the interim stage there were losses of £452,000 against a £222,000 profit.

Turnover for this Hertfordshire-based engineering and property company remained stable at £54.2m (£54.3m), and the directors said the total order book (including the Petbow companies) was currently over £100m. They believed the group was now established on a more local compatible base and in a position to move forward in the current year.

No final dividend is being

recommended (1p last time), which makes a total for the year of 0.4p (1.4p). Losses per share are shown as 4.2p against earnings of 5.7p.

The company made significant write-offs during the year, as part of its major restructuring and reorganisation. The directors added that while most subsidiaries performed at or better than planned, setbacks had been experienced in aircraft ground equipment and power generation activities. This was partly due to the disruption of reselling H. W. Edgill at Basingsbroke and HML Engineering at Uxbridge.

After tax of £104,000 (£226,000), there were extraordinary debits of £411,000 (£525,000) due to the closure and sale of the Brashy Liverpool

steel drum business and the rationalisation of power generation activities.

© comment

In its last annual report, Anglo-Nordic announced that its accounting year would be changing to year end December because of the majority shareholding of Danish cement maker F. L. Smidth. However, the Petbow acquisition pushed the Smidth holding below 50 per cent, allowing Anglo to continue to report to end March. But whenever these results were reported, they would have been bad news. There is little sign yet that chairman Brian Wollison has the formula to build a successful industrial conglomerate. The group is now split into three divisions: aircraft ground equipment, generators and others, which includes agricultural equipment and defence telecommunications. Although there are increasing order books in the first two divisions, there still remain cost inefficiencies to eliminate and the others division is unlikely to show spectacular growth. Break-even would be a goal performance at this rate and with earnings at 200 per cent, although due to be reduced by property sales, the shares are unlikely to make much progress from yesterday's 25p.

Investment in development, primarily of new and enhanced software products and tools, was virtually maintained at £2.3m (£2.4m). Net liquid funds

## BIS profit exceeds £4m

Business Intelligence Services, the unquoted group of international information and communications specialists, increased taxable profits from £2.51m to £4.17m in the year to end-February 1986.

Turnover improved from £41.1m to £47.1m and generated operating profits of £3.91m against £3.27m. Retained pro-

fits were £1.34m (£1m) after tax of £2.08m (£1.43m), dividends of £383,000 (£228,000), and an extraordinary charge this time of £211,000.

Investment in development, primarily of new and enhanced software products and tools, was virtually maintained at £2.3m (£2.4m). Net liquid funds

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## INTERNATIONAL COMPANIES and FINANCE

## CURRENCIES and MONEY

## VW plans big increase in capital

BY DAVID BROWN

VOLKSWAGEN, the West German motor group, yesterday announced a surge in first-half volume deliveries, and tabled plans for a series of large capital raising exercises starting this month.

In the first stage, the group will seek to raise \$150m through an issue on the Eurobond market within the next few weeks.

This will be followed (most likely later this year) with a 25 per cent increase to DM 1.5bn in the equity capital through the issue of non-voting preference shares. These have a current market value of

DM 3bn (\$1.4bn).

Volkswagen said the issue was aimed at improving its equity turnover ratio which followed recent growth had sunk too low.

The state of Lower Saxony, VW's home state which holds a 30 per cent stake in the group, is not expected to subscribe to the share issue.

The Federal Government with a further 20 per cent share, has recently announced plans to sell its 20 per cent holding by 1988 as part of its privatisation campaign.

Dr Carl Hahn, chief executive, reiterated the group's forecast

that group earnings would stabilise at last year's level of DM 565.6m.

However, parent company net profits for the first half of 1986 appeared to have improved on a provisional 6.5 per cent rise in sales to DM 21.3bn for the six months. Moreover, Dr Hahn revised upwards his forecast for volume deliveries for the whole of 1986 from 2.5m to 2.85m units.

VW/Audi sold 1.34m vehicles in the six months ending June, up from 1.2m - its best half-year result since 1979.

The 11.5 per cent volume sales increase was attributed largely

to strong domestic markets, as well as good demand elsewhere in Europe, in the US and Brazil. The Mexican and Nigerian markets remain weak, however.

Dr Hahn indicated that the group would move in strengthening its position on the North American market, while cutting its engagement in Latin America, but gave no further details.

VW also plans to invest a total of some DM 6.7bn to modernise its newly-acquired Fiat facilities in Spain by 1988, and does not expect the operation to generate income for the next five years.

## Provisional liquidator for City Securities

By Chris Sherwell in Singapore

DIRECTORS of City Securities, the troubled Singapore broking house, last night began final frantic efforts to rescue the firm after a court appointed a provisional liquidator earlier in the day.

The court order followed an out of court understanding between City and its 28 bank creditors. City had petitioned on Thursday for a 14-day injunction protecting it from its creditors. Citibank and American Express, the two US banks named by City, contested the move.

Under the compromise, the appointment went ahead of Deloitte Haskins and Sells as provisional liquidators, and they were in turn expected to keep alive the chances of a rescue by a foreign takeover.

Talks then began with the Stock Exchange authorities in an attempt to end the confusion surrounding their policy over foreign participation in a local broking.

Earlier this week, the exchange rejected a proposed 100 per cent takeover of City by Sun Hung Kai, the Hong Kong based firm which has a dealing office in Singapore. Unfortunately for City, the development coincided with the expiry of a four-month standstill agreement with its bankers.

According to the bankers, the exchange said the "current policy" was to allow only 49 per cent foreign ownership of local firms. However, it is known that this policy is under review, and even the Monetary Authority of Singapore, the island state's powerful financial regulatory agency, favours majority foreign stakes in local broking firms.

Few people now doubt that the MAS and the exchange are at odds over the issue, with the Big Four local banks, which dominate the exchange's supervisory committee, anxious to protect the competitive position of the new broking firms they established this year.

Intriguingly DBS Bank, one of the four, yesterday joined Citibank and American Express as one of the creditors waiting City would up. This added a further confusing dimension to the affair, as DBS is state controlled.

Technically, Deloitte's responsibility is now to protect the interests of City creditors. But some of City's bankers - better secured than Citibank or American Express - believe that their losses would still best be minimised if a takeover of City could be arranged.

It now seems likely that City will try to submit a proposal for a foreign takeover either from Sun Hung Kai or some new party, in the hope of an early change of policy and a deal negotiated through the provisional liquidator rather than the divided banks.

City's troubles stem largely from its involvement in forward contracts and the collapse of the Singapore stock market following the three day closure last December in the wake of the Pan-Electric affair.

## FOREIGN EXCHANGES Dollar falls again

The dollar fell to its lowest closing level ever against the Japanese yen in very quiet trading yesterday. There was virtually no business at all because US markets were all closed for Independence day. In addition the market showed little enthusiasm in trade ahead of tomorrow's general election in Japan. The dollar has touched a lower trading level against the yen but yesterday's close of ¥160.50 was its lowest finishing level ever and was down from ¥161.35 on Thursday.

The dollar remained depressed by growing evidence that the US economy was showing signs of stagnation, underlined by disappointing leading indicators and factory orders. There was growing speculation that the US authorities would cut the discount rate in the near future, prompting a cut in Japanese rates. West Germany has recently shown its reluctance to cut rates but may have to fall into line to remain competitive.

Against the D-mark the dollar was little changed at DM 2.1755 (from DM 2.1755 and SF 1.7650 compared with SF 1.7650 against the French franc).

Against the Swiss franc the dollar was little changed at SFR 2.1755 (from SFR 2.1755 and SFR 2.1755 against the Italian lire).

Against the British pound the dollar was little changed at £1.5470 (from £1.5470 and £1.5470 against the Australian dollar).

## £ IN NEW YORK

July 4	Latest	Prev. close
1 spot	0.4305-0.4306	0.4305-0.4306
1 month	0.4305-0.4306	0.4305-0.4306
3 months	0.4305-0.4306	0.4305-0.4306
12 months	0.4305-0.4306	0.4305-0.4306

Forward premiums and discounts apply to the US dollar.

Against the D-mark the dollar was little changed at DM 2.1755 (from DM 2.1755 and SF 1.7650 compared with SF 1.7650 against the French franc).

Against the Swiss franc the dollar was little changed at SFR 2.1755 (from SFR 2.1755 and SFR 2.1755 against the Italian lire).

Against the British pound the dollar was little changed at £1.5470 (from £1.5470 and £1.5470 against the Australian dollar).

## STERLING INDEX

July 4	Prev. close
8.30 am	76.2
9.00 am	76.2
10.00 am	76.2
11.00 am	76.2
12.00 pm	76.2
1.00 pm	76.1
2.00 pm	76.1
3.00 pm	76.0
4.00 pm	76.0

## POUND SPOT—FORWARD AGAINST POUND

July 4	Day's spread	Close	One month	Three months	Six months	One year
US	1.5465-1.5470	1.5465-1.5470	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Canada	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Netherlands	1.7850-1.7855	1.7850-1.7855	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Belgium	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Denmark	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
France	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Germany	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Italy	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Japan	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Spain	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Sweden	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
Switzerland	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306
UK	1.2725-1.2730	1.2725-1.2730	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306	0.4305-0.4306

## CURRENCY RATES

	Bank rate	Special Drawing Rights	European Currency Unit
July 4			
Ailing		N A	0.639666
8	61	"	0.627645
Median R.	2.84	"	1.56117
istia Sch	4	N A	1.56117
ign Fr.	6	"	43.9388
ish Kr.	7	"	7.97276
mark.	31	"	8.14526







[illegible]



## J. Henry Schroder Wagg &amp; Co Ltd      Wurzburg Irv Mgmt Assoc—Cont.

**J. Henry Schroder Wag & Co Ltd**  
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## INDUSTRIALS—Continued

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**MINES—Continued**[illegible][illegible]

36	22	60	25	Walter E. East Hwy.	38
37	22	60	25	Wander & Genl Sols.	38
38	22	60	25	W. M. Wilson	38
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100	22	60	25	W. M. Wilson	38

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	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
Trade	0.92	1.1	1.6	2.1	2.6	3.1	3.6	4.1	4.6	5.1	5.6	6.1	6.6	7.1	7.6	8.1	8.6	9.1	9.6	10.1	10.6	11.1	11.6	12.1	12.6	13.1	13.6	14.1	14.6	15.1	15.6	16.1	16.6	17.1	17.6	18.1	18.6	19.1	19.6	20.1	20.6	21.1	21.6	22.1	22.6	23.1	23.6	24.1	24.6	25.1	25.6	26.1	26.6	27.1	27.6	28.1	28.6	29.1	29.6	30.1	30.6	31.1	31.6	32.1	32.6	33.1	33.6	34.1	34.6	35.1	35.6	36.1	36.6	37.1	37.6	38.1	38.6	39.1	39.6	40.1	40.6	41.1	41.6	42.1	42.6	43.1	43.6	44.1	44.6	45.1	45.6	46.1	46.6	47.1	47.6	48.1	48.6	49.1	49.6	50.1	50.6	51.1	51.6	52.1	52.6	53.1	53.6	54.1	54.6	55.1	55.6	56.1	56.6	57.1	57.6	58.1	58.6	59.1	59.6	60.1	60.6	61.1	61.6	62.1	62.6	63.1	63.6	64.1	64.6	65.1	65.6	66.1	66.6	67.1	67.6	68.1	68.6	69.1	69.6	70.1	70.6	71.1	71.6	72.1	72.6	73.1	73.6	74.1	74.6	75.1	75.6	76.1	76.6	77.1	77.6	78.1	78.6	79.1	79.6	80.1	80.6	81.1	81.6	82.1	82.6	83.1	83.6	84.1	84.6	85.1	85.6	86.1	86.6	87.1	87.6	88.1	88.6	89.1	89.6	90.1	90.6	91.1	91.6	92.1	92.6	93.1	93.6	94.1	94.6	95.1	95.6	96.1	96.6	97.1	97.6	98.1	98.6	99.1	99.6	100.1	100.6	101.1	101.6	102.1	102.6	103.1	103.6	104.1	104.6	105.1	105.6	106.1	106.6	107.1	107.6	108.1	108.6	109.1	109.6	110.1	110.6	111.1	111.6	112.1	112.6	113.1	113.6	114.1	114.6	115.1	115.6	116.1	116.6	117.1	117.6	118.1	118.6	119.1	119.6	120.1	120.6	121.1	121.6	122.1	122.6	123.1	123.6	124.1	124.6	125.1	125.6	126.1	126.6	127.1	127.6	128.1	128.6	129.1	129.6	130.1	130.6	131.1	131.6	132.1	132.6	133.1	133.6	134.1	134.6	135.1	135.6	136.1	136.6	137.1	137.6	138.1	138.6	139.1	139.6	140.1	140.6	141.1	141.6	142.1	142.6	143.1	143.6	144.1	144.6	145.1	145.6	146.1	146.6	147.1	147.6	148.1	148.6	149.1	149.6	150.1	150.6	151.1	151.6	152.1	152.6	153.1	153.6	154.1	154.6	155.1	155.6	156.1	156.6	157.1	157.6	158.1	158.6	159.1	159.6	160.1	160.6	161.1	161.6	162.1	162.6	163.1	163.6	164.1	164.6	165.1	165.6	166.1	166.6	167.1	167.6	168.1	168.6	169.1	169.6	170																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							

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## FINANCIAL TIMES

Saturday July 5 1986



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PROPERTYLINE

A development by Standard Life makes all the difference.

## Panel to rule on Lloyds bid timing

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE TAKEOVER PANEL is to meet on Monday to decide whether to give Lloyds Bank more time in its record £1.3bn bid for Standard Chartered Bank.

Lloyds will not be able to complete the deal by the August 2 deadline set by the Takeover Code because of delays in obtaining clearance from the US regulatory authorities to buy Union Bank, Standard's California subsidiary.

The full panel is being convened after Schroders, the merchant bank acting for Standard Chartered, complained that Lloyds' inability to complete the deal in time had created a "false market" in its shares.

The panel will have two decisions before it: First, whether to set now or leave the decision until after next weekend when the number of acceptances for the Lloyds bid will be known; Second, if the panel does decide to make a ruling, it will have to address the basic question of whether to grant Lloyds an extension, and if so, for how long.

If an extension is given, it

## BID FOR STANDARD CHARTERED—THE KEY DATES

July 12. Offer closes. If Lloyds has received sufficient acceptances by this date, the offer lapses.

July 16. The Fed expected to approve the deal. If so, US Justice Department 30-day statutory waiting period will begin. Full US approval cannot be given until this expires.

August 2. Date by which

## Lloyds must obtain US approval in order to make its offer wholly unconditional under the Takeover Code.

August 16. US approval expected. Lloyds will ask Takeover Panel to postpone August 2 deadline to this date.

August 23. Payment due. Lloyds expects to keep to this date even if US approval is delayed.

August 2. Date by which

would set a precedent. Previously, the panel has granted only one or two small extensions on minor technical grounds. The issue before it on Monday will be whether Lloyds has been unfairly caught between conflicting regulatory requirements on either side of the Atlantic, or whether it created a problem for itself by leaving its approach to the US authorities until too late.

The problem arises because Lloyds failed to get approval from the Federal Reserve Board, the US central bank, by Thursday. This means the statutory 30-day waiting period for anti-trust clearance from

the US Justice Department which follows will expire after August 2, the last day by which Lloyds must declare its offer unconditional under the Takeover Code.

Fed approval is not now expected until July 16, which means that full US clearance will not come until August 16.

Lloyds would prefer the panel to make a ruling after its offer closes next Saturday because a heavy vote in favour of the bid would strengthen its case that the wishes of Standard shareholders should be heeded. In a statement yesterday, it said that if it received enough acceptances, it would ask the panel for up to two weeks more

to close the deal. But it would still pay Standard shareholders on August 23 as required by the code.

Lloyds will argue to the panel that the chances of a US go-ahead are strong. It has been advised that the Department of Justice has already told the Fed that it will not challenge the acquisition because it will not affect competition on the US market. The Californian banking authority has also said that it will approve the deal when the Fed does.

Mr Brian Pitman, Lloyds chief executive, said yesterday that Lloyds had dealt satisfactorily with all the questions raised by the Fed. "We remain confident that it will be approved," he said.

Mr Michael McWilliam, Standard's chief executive, said Standard would oppose any request by Lloyds for more time. But he also stressed that the deal was a technical matter unrelated to the fundamental reasons why Standard had rejected Lloyds' bid.

Standard Chartered's shares gained 7p to close at 85p last night. Lloyds shares lost 7p to 38p. Lloyds values its basic offer at 85p per Standard share and the alternative at 85p.

## TV-am to join USM on Tuesday in £40m sale offer

By Alice Rawsthorn

THE BREAKFAST television station, TV-am, will join the Unlisted Securities Market on Tuesday in an offer for sale which will value the company at more than £40m.

Little more than two years ago TV-am was on the brink of bankruptcy, having accumulated losses of £15m in its first 18 months on the air. Yet in its last financial year, in January, the station produced pre-tax profits of £4.8m and is expected to muster more than £7m in the current year.

In the flotation, United Newspapers will sell the 34 per cent holding it acquired in TV-am through its takeover of the original holders, Fleet Holdings, last autumn. The holding, for which Fleet paid just under £4.5m three years ago, should realise around £14m from the flotation.

The company's employees will be given preferential rights over 10 per cent of the shares on issue, or 3.4 per cent of TV-am's equity.

Although the TV-am board has been formulating plans for a flotation since last summer, it had originally envisaged going public in late 1986 or early 1987.

United's takeover of Fleet accelerated its plans because of the Independent Broadcasting Authority's stipulation that no single company can hold substantial stakes in more than one independent television company. United already held a stake in Yorkshire Television and has just sold its holding in Tyne Tees.

Mr Tim Alden, TV-am's non-executive chairman, said: "Even without the takeover, this would be an exciting time for TV-am to float. There is huge potential for growth in advertising revenue. The next three years will be even more exciting than the last three."

The TV-am board with its advisers Kleinwort Benson, the merchant bank, and stockbrokers Conny Securities and Kleinwort-Grieverson — have spent the last month or so presenting their case to institutional investors. Nonetheless, according to Mr Bruce Gynnell, the managing director, the station is eager to attract as many individual investors as possible.

TV-am initially expected to go public with a market capitalisation of between £30m and £35m. City attitudes have since softened towards the television sector, however, spurred by the successful flotation of Thames Television and the publication of the Peacock Committee's report which advised against the introduction of advertising to the BBC.

## Continued from Page 1 Americans

man of the Statue of Liberty-Ellis Island Foundation, has raised to restore the Statue of Liberty. All costs are being covered by the sale of television rights and tickets. The sponsors note with some pride that close to 9,000 media people wanted to cover the event. Although they have accredited only 4,800, this was more than the media turnout for the last Geneva summit between Mr Reagan and Mr Gorbachev.

The American Broadcasting Corporation has positioned 75 cameras around New York and its associated Presses has reported that because of the number of microwave dishes and transmitters being operated by other television networks and local stations during the Liberty weekend, the Federal Communications Commission has set up a special committee to investigate threatened atmospheric congestion.

This is not the only worry. Many Americans are unhappy about the commercial exploitation of the event. No sooner had Mr Laccoca stepped off the stage during Thursday's opening ceremonies than the TV networks took a commercial break to show a Chrysler advertisement asking viewers which was the "greatest truck in the world."

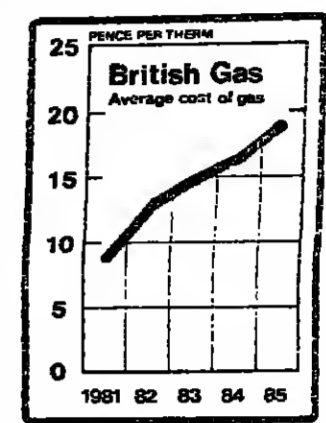
Some of the federal judges harked at the idea of having their scheduled naturalisation proceedings integrated into Mr Wilper's Thursday night TV extravaganza. This has caused friction behind the scenes, especially when Mr Gerhard Gessell, US district court judge, decided to hold his naturalisation ceremony in a court.

"You could have had these people on the steps of the Jefferson Memorial. It could have been seen by 1,100 people around the world. I just do not understand these people, the Judges," muttered one of Mr Wotper's aides.

## THE LEX COLUMN

## Brinkmanship from Lloyds

Index fell 9.2 to 1356.5



doubts about the viability of an offer can henceforward be postponed until the last minute, when Panel and shareholders are in a bind.

When it comes down to hard cases on Monday, the Panel will have to think carefully about the line it is likely to take in the event of a takeover regulation in the City. Hardliners will argue that the number of votes can have nothing to do with the timetable, but it is hard to believe that this would cut much ice if the shareholders had already voted for Lloyds. So long as it imposes fresh safeguards about the actual time at which the deal will have either to be completed or lapsed, the Panel should give Lloyds a bit more rope, and allow the shareholders to make up their minds.

## British Gas

The attractions of British Gas as an equity investment, diminished daily. What was touted last September as a hedge against a falling oil price is now described in terms reminiscent of US pharmaceutical advertising under the spectre of malpractice: a major new addition to the UK equity market is the most James Capel, in its exhaustive study of the gas business this week, will say to pull in the punters.

In fact, British Gas's value as a hedge to an oil-price fall will weigh only with the \$2-barrel Jerusalem, at which point British Gas itself will not be too happy: the advantage of passing

## Italian crisis worsens

By Alan Friedman in Rome

THE Italian governmental crisis worsened last night when President Francesco Cossiga appointed Mr Amintore Fanfani, a former prime minister and now senior chairman, as negotiator between the Christian Democrats and the Socialists.

This indicated that the conflict between Mr Bettino Craxi, the caretaker prime minister and leader of the Socialist Party, and Mr Ciriaco De Mita, the Christian Democrat leader, had deepened and that the crisis, which has already lasted a week, will continue into next week.

The five-party coalition led by Mr Craxi fell on June 27, when the prime minister resigned after a parliamentary defeat. Since then, Mr Cossiga has held intensive consultations with the leaders of all political parties.

Mr Craxi held office since August 1983 but his party took only 11.4 per cent of the vote in the last general election, against 32.9 per cent for the Christian Democrats. He is declining to be reinstated without a time limit on his tenure.

Mr De Mita has proposed that Mr Craxi continue in office until the end of the parliament in 1988, provided he supports a Christian Democrat prime minister for the whole of the next parliament, from 1988 to 1993.

The Socialists have rejected what they call Mr De Mita's "seven-year pact" and Mr Giovanni Spadolini, Defence Minister and leader of the centrist Republican Party, declared yesterday: "A pact for seven years? I propose instead a pact for seven months so that we can address urgent problems."

The appointment of Mr Fanfani, who has often been put him above party politics, was interpreted here yesterday as a play for time.

## More Third World loans urged

BY WILLIAM DUFFLORCE IN GENEVA

PRIVATE banks and governments need to increase lending to developing countries immediately, if the reduction in economic growth in the Third World is to be reversed.

Mr Jacques de Larosiere, managing director of the International Monetary Fund, said yesterday. He proposed that industrial countries should resume or increase, on a case-by-case basis, the cover offered by their export credit agencies to countries which had rescheduled their debts and were making serious efforts to adjust their economic policies.

Speaking at the annual meeting in Geneva of the UN conference and social council, Mr de Larosiere also indicated that he favoured the further lowering of international interest rates for which political and business pressure has been increasing in the US and in developing countries.

A decline of 4.5 percentage points in nominal rates over the past two years had saved the indebted countries nearly \$16bn (£10bn) a year in net interest payments but rates remained high by historical standards.

Lower rates of inflation in the industrial countries and plans for "major fiscal consolidation" in the US, combined with prudent fiscal policies and moderate monetary expansion,

Western industrial countries have agreed to lower minimum interest rates on officially guaranteed export credits, the Organisation for Economic Co-operation and Development said yesterday. The rates for poorest countries will fall from 8.8 per cent to 7.4 per cent from July 15.

should permit the reduction in interest rates to continue, Mr de Larosiere said.

Focusing on the "deterioration in the human condition" in many Third World countries during the first half of the decade, he stressed it was the interests of private bankers and government of the industrial nations to help to rekindle growth.

The average annual economic growth rate of 2.5 per cent in developing countries over the past five years had been less than half that recorded during the 1960s and 1970s. Taking the population increase into account, real per capita Gross Domestic Product was no higher than in 1980.

Mr de Larosiere's promptings on increased commercial bank lending fall into line with recent pressure from the US Treasury on the banks to start playing their role in the "pro-

gramme for sustained growth" in 15 indebted countries. This was launched last October by Mr James Baker, Treasury Secretary.

The so-called Baker Plan advocates that commercial banks should advance \$20bn in new loans over three years to complement increased credits from the World Bank and other international agencies. European banks in particular have been reluctant to take up this idea without greater commitments from their governments.

The growth in net new lending by commercial banks to developing countries fell from 7 per cent in 1983 to 3 per cent in 1984 and was even lower last year, Mr de Larosiere said. Governments in industrial countries, he proposed, should demonstrate flexibility when negotiating reschedulings of government-to-government debt in the Paris Club, support capital increases for the World Bank and the International Development Association and subscribe to the World Bank's newly-created Multilateral Investment Guarantee Agency.

Mr de Larosiere vigorously defended the IMF against charges that the economic adjustment programmes it imposed on heavily indebted countries conflicted with their need for growth and caused social hardship.

## Life cover boom Continued from Page 1

So the best-performing traditional life assurance companies, on the inner panel recommended by building societies, are enjoying a boom in life assurance sales.

Standard Life's new annual premium income on mortgage-related business was 70 per cent up in the first six months of the year to £23m. Scottish Amicable's has doubled to the same level. Norwich Union has seen an 84 per cent rise to £24.3m, while Friends' Provident's income has nearly tripled to £25.5m.

The assurance companies are handling more life policies than in the boom of three

years ago, now aided by the Miras system of tax credit by which borrowers' repayments have been reduced to take account of the tax relief which used to be reclaimed from the Inland Revenue.

Norwich Union is handling 7,000 proposals a week—double the figure of a year ago—while Standard Life, which handled 9,000 policies in January, dealt with 16,000 in June and is dealing now with more than 7,000 proposals a week.

Considerable administrative strain has been imposed, especially as shareholders' expectations of service have risen.

Standard Life admits to being behind with its work despite employing 150 extra full-time and 130 temporary staff since the beginning of the year.

A large element of the boom is one-off business from borrowers switching mortgage methods. Even so, the building societies and the companies expect even more business in the next few months.

The most tax-efficient way to pay off a mortgage is to use a pension contract instead of an endowment, but such mortgages are still largely confined to the self-employed, and to company directors and executives.

## Swedish drugs industry restructuring plan revived

BY OUR STOCKHOLM CORRESPONDENT

PROPOSALS to restructure the Swedish pharmaceutical and biotechnology industry have been partially revived. Earlier proposals collapsed when it was disclosed that Mr Refael el-Sayed, majority shareholder and the chief executive of one of the biggest companies involved, had faked his academic credentials. However, Formenta, Mr el-Sayed's company, is not involved in the plan announced yesterday.

Under the plan in a SKR 3.3bn (£33m) deal Pharmacia, Sweden's second-largest pharmaceuticals group, is to buy Leo, a rival Swedish drugs company indirectly controlled by Volvo, the motor, energy and foods group which is Sweden's largest industrial company.

Earlier plans would have combined Pharmacia, in which Volvo also has a significant stake, Leo and Formenta to create a Swedish biotechnology group able to compete aggressively in world markets.

Pharmacia said yesterday it had bought 78 per cent of Leo from Volvo and several smaller investors. It plans to acquire the outstanding stock through a share offer.

Sales for the enlarged group are expected to be SKR 4.5bn this year. Leo turnover last year totalled SKR 524m.

Pharmacia officials yesterday played down any role that Volvo might have played in the takeover. Volvo has long been pressing for a consolidation of the country's pharmaceutical and biotechnology industry and would have had a leading role in the initial proposals.

Volvo was reported to have angered the Pharmacia board in January when it proposed Mr el-Sayed should head the planned grouping of Formenta, Pharmacia and Leo. Under that proposal Formenta would have acquired Volvo's 40 per cent voting share in Pharmacia and would have taken outright control of Leo.

Pharmacia said yesterday that Volvo's two representatives on its board did not take part in this week's decision to buy Leo. It said that because, under the proposal, Volvo would be exchanging A shares in Leo for B shares in Pharmacia, its voting power in Pharmacia would rise only from 40 per cent to 45 per cent.

However, it is fairly certain that Volvo played an instrumental role in preparing the ground for the Pharmacia takeover of Leo. In April Volvo took full control of Sonesson, a light engineering and pharmaceutical and engineering conglomerate, which has 74 per cent voting power in Leo.

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISER	FALLER
Transport 3pc 78.58 £20.4	Parkfield Group 545 + 25
Traffic 11pc 206.07 £10.1	Pearl Assurance £151 + 3
Transit 2pc 106.43 £10.4	Pressac 150 + 20
Assoc Brit Ports 508 + 18	Sackers Int'l 124 + 8
Axona 554 + 37	
Cannine (W.I.) 122 + 4	
Countrywide Props 348 + 10	
Debenhams 108 + 7	
Elmfit 103 + 8	
Elmfit 103 + 8	
Jacques Vert 181 + 16	
Kwik-Fit 111 + 6	
Marler Stars 520 + 20	
Porter Hotels 122 + 7	

## WORLDWEATHER

Y day	Y day	Y day	Y day	Y day	Y day
midday	midday	midday	midday	midday	midday
Algeria 24 25 26 27 28 29	Amman 24 25 26 27 28 29	Baghdad 24 25 26 27 28 29	Bombay 24 25 26 27 28 29	Buenos Aires 24 25 26 27 28 29	Cairo 24 25 26 27 28 29
Calcutta 24 25 26 27 28 29	Cardiff 24 25 26 27 28 29	Chennai 24 25 26 27 28 29	Copenhagen 24 25 26 27 28 29	Dakar 24 25 26 27 28 29	Dhaka 24 25 26 27 28 29
Delhi 24 25 26 27 28 29	Dublin 24 25 26 27 28 29	Frankfurt 24 25 26 27 28 29	Glasgow 24 25 26 27 28 29	Hong Kong 24 25 26 27 28 29	Islamabad 24 25 26 27 28 29
Jakarta 24 25 26 27 28 29	Johannesburg 24 25 26 27 28 29	Kuala Lumpur 24 25 26 27 28 29	London 24 25 26 27 28 29	Los Angeles 24 25 26 27 28 29	Manila 24 25 26 27 28 29
Mexico City 24 25 26 27 28 29	Moscow 24 25 26 27 28 29	Mumbai 24 25 26 27 28 29	Nairobi 24 25 26 27 28 29	Paris 24 25 26 27 28 29	Rangoon 24 25 26 27 28 29
Reykjavik 24 25 26 27 28 29	Rome 24 25 26 27 28 29	Singapore 24 25 26 27 28 29	Stockholm 24 25 26 27 28 29	Taipei 24 25 26 27 28 29	Tokyo 24 25 26 27 28 29
Washington 24 25 26 27 28 29	Zagreb 24 25 26 27 28 29				

**600 GROUP**

"Improvement in trading profit"

Sir Jack Wellings, CBE, Chairman said:

Our manufacturing companies improved their results substantially but a large part of the improvement was eliminated by a complete reversal to a loss in our ferrous scrap trading activities and heavy losses in South East Asia. Nevertheless, I am glad to be able to report an overall improvement in trading profit before tax for the year. This was achieved despite the considerable strengthening in the £ and an unprecedented increase in Product Liability Insurance premiums.

The highlight of the year was the purchase of the Industrial Distribution Group of Clauson Corporation and a new consolidated office, warehousing, manufacturing facility is near completion on their site in Kalamazoo.

Our exports increased by 12% and the export percentage of our manufactured goods was well in excess of 80%.

We look forward to an overall improvement in our efficiency and an improvement in results over last year.

Subsidiary figures: Year to 31st March	1986	1985
Sales	208,132	187,320
U.K. Exports included	80,643	71,791
Trading Profit before Taxation	6,111	5,737
Total Profit before Taxation	6,705	7,618
Ordinary Stock Dividends per Unit	5.775p	5.50p

For a copy of the Report and Accounts please write to The Secretary, The 600 Group PLC, Hythe End House, Chertsey Lane, Staines, Middlesex TW18 3EL.

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## Bird's-eye view of Peacock

Samuel Brittan was a member of the Peacock Committee on the future of broadcasting. He puts the findings into perspective

THE KEY finding of the Peacock Report is not that there should be a licence for car radios, or even that Radios 1 and 2 should be sold.

The central finding is that "British broadcasting should move towards a sophisticated market system based on consumer sovereignty. That is a system which recognises that viewers and listeners are the best ultimate judges of their own interests, which they can best satisfy if they have the option of purchasing the broadcasting services they require from as many alternative sources of supply as possible."

The difficulty of getting this aim across is that consumer sovereignty is wrongly identified in the public debate with finance by advertising. The following are among the prerequisites of an effective broadcasting market:

- Freedom of entry for any programme maker who can cover his costs or otherwise finance his or her production.
- Viewers must be able to register their preferences directly and register the intensity of their preferences and not rely entirely on their indirect expression through advertising ratings. This requires a facility for pay-per-view.

There are those who say that broadcasting is not just another consumer good and is far more important than the production of tinned peas or packaged holidays. Agreed. It is precisely because the communication of ideas and the dissemination and analysis of news and artistic endeavour are involved, that freedom of entry by producer and freedom of choice by consumers to the maximum feasible extent are so vital.

The more thoughtful free market exponent does not believe that citizens always know what they want or where their interests lie in broadcasting or anywhere else. Producers compete to persuade individuals of the existence and value of new or different kinds of experience. In a debate at the Cambridge Union in September, 1985, the late Sir Huw Weldon rightly criticised the false dichotomy between giving the viewer what he or she

wants and what he or she ought to have.

"The fundamental aim of broadcasting policy should in our view be to enlarge both the freedom of choice of the consumer and the opportunities available to programme makers to offer alternative wares to the public," the committee says. This goal is derived from aims much wider than any applying to broadcasting alone. They are embodied, for instance, in the First Amendment to the US Constitution. This lays down *inter alia*: "Congress shall make no law... abridging the freedom of speech or of the press..." It is often taken by US writers to mean both that television monopolies are to be prevented and that government intrusion of a negative, censorious kind is to be avoided.

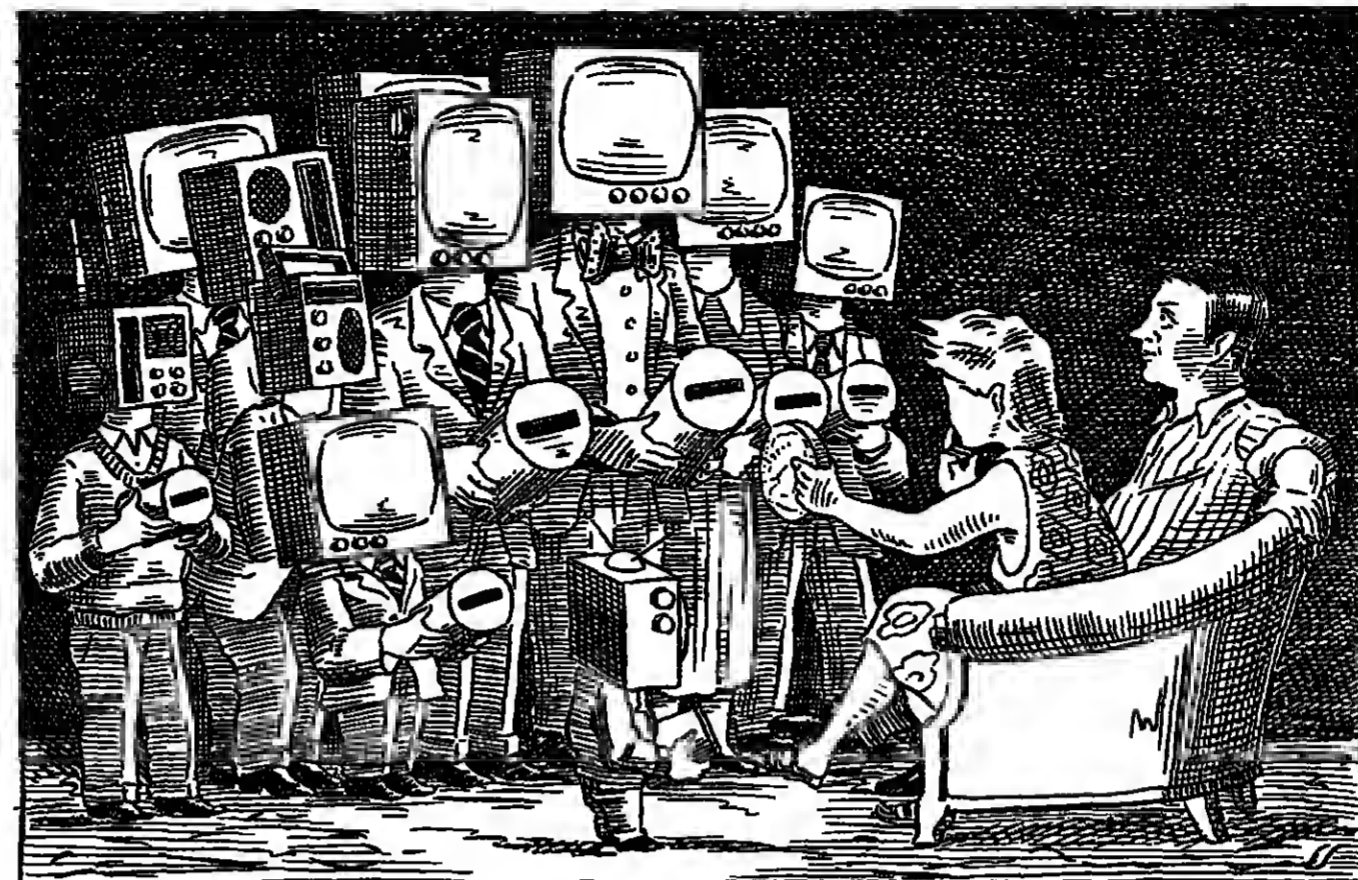
ANOTHER WAY of looking at the matter is via the parallel with the printing press, which was subject to many kinds of regulation and censorship in the first two-and-a-half centuries of its existence. The abolition of pre-publication censorship by Parliament in 1694—leaving the printed word to be regulated by the general law of the land—was described by Macaulay as a greater contribution to liberty and civilisation than either the Magna Carta or the Bill of Rights.

"Public service," as used in broadcasting usually means regulation and tax-financed programmes. The former could be justified as a way of "mimicking the market," while there is no direct payment by viewers or listeners and while channels are limited by spectrum shortage. It should thus eventually disappear. The need for tax-financed programmes, however, will not.

Viewers and citizens may be willing in their capacity as taxpayers to finance broadcasting activities which they are unwilling to finance as consumers. A simple illustration to the Peacock Report makes the point. Many citizens who never go near the National Gallery value their existence and are prepared to contribute as taxpayers to their upkeep.

"The defenders of the dooply," remarks the report, "may unwittingly be worst enemies of public-service," in the sense of minority, innovative or specialist programmes. For the ability of the existing system to finance these programmes could wither away without any alternative source of provision of finance having been developed."

The committee recommends the eventual establishment of a Public Service Broadcasting Council (PSBC) which would be able to make grants to both the BBC and private enterprise broadcasters. The committee had no objection to direct Exchequer finance for the PSBC. But as a matter of prudence it looked for saving finance from within broadcasting. Among possible sources of revenue are: the economic rents paid by ITV contractors under competitive tendering; Government revenues from in-



creasing commercial use of broadcasting frequencies, which would be auctioned; and maintaining an indexed licence fee at a lower rate than the present one on all television sets to support the PSBC.

Because the technical conditions for a fully developed consumer market will take time to develop, the committee suggests three stages of implementation: indexation of the BBC licence fee; direct subscription to replace the main part of the licence fee; and multiplicity of choice with pay-per-view, as well as pay-per-channel, available.

The most important of the stage one recommendations are those designed to pave the way for the fuller broadcasting market in later stages. For instance, recommendations which require all new television sets to have equipment which will facilitate direct consumer subscription at low cost.

Subscription is welcomed as a move towards consumer choice, as a compulsory way of paying for the BBC which will reduce resentment of the charge — a step towards pay-per-channel and pay-per-view, and as a way of protecting the BBC from political pressures.

Another key proposal is that present restrictions on pay-per-channel and pay-per-view should be removed forthwith.

The most likely route to the full broadcasting market is the development of an optic fibre network by the telecommunications industry. The committee, therefore, proposed the removal of the many restrictions now prevailing so that British Telecom and other telecommunications operators could act as common carriers for a full range of services, including delivery of television programmes.

Direct broadcasting satellites are another area where market processes can be introduced forthwith. The committee proposed that DBS franchises should be put in competitive tender and freed from complex regulatory restrictions. This has been very ill-advisedly rejected.

Second only in importance to the desire to establish a fully fledged broadcasting market as the ultimate goal, is the need here and now to protect broadcasting as much as possible from political interference and intrusion. The indexation of the licence fee to the general rate of inflation (from a basis of £50 on April 1, 1987), with some last-resort flexibility on the lines of the treatment of tax thresholds under the indexation provision of the Finance Acts, will make it more difficult for governments to make threats about the licence fee.

Similar considerations explain why it would be a mistake to go for the seemingly radical option of breaking up the BBC—into, say, two separate television corporations and one or more radio services. This did have attraction on grounds of competition and diversity. The reason why I did not push this idea was quite frankly that a powerful organisation is needed to stand up to political pressure—a point that Conservatives are better

able to understand when it is a Labour Government that is applying the pressure, as it often did under Harold Wilson.

If broadcasting were already like publishing, with thousands of different books, journals and newspapers and a tradition of free speech, the last thing that would be required would be a great monolithic organisation, taking up a lot of the market.

But until this free market is reached, a fragmented BBC would still leave the Government with a small number of visible organisations on which to lean, and unless something like the US First Amendment applied in the UK, the risks would exceed the benefits.

Although the issue of advertising on the BBC led to the establishment of Peacock, it turned out as I thought would be the case) not to be the key issue.

We did, of course, assemble expert views on the likely financial effects on the BBC, ITV and other media of different degrees of advertising on the BBC. But Mr Stuart Young's repeated assertion "the money is not there" does not really mean anything. If one is pessimistic about either the growth of the advertising market or its responsiveness to more broadcasting slots, this would point merely to a gradual introduction of advertising.

The reason for not forcing the BBC to take advertising at present is that competition by broadcasters to sell audiences to advertisers is very different from competition to sell programmes to audiences. It would be a step away from, rather than towards a genuine consumer market.

The problem with advertising-financed broadcasting is (a) that the ratings will inevitably dominate and minority tastes will be under-represented (and we all belong to minorities some of the time) and (b) even the ratings do not measure intensity of preferences, whether a viewer is keenly interested in a pro-

gramme or barely conscious of what is in front of him.

Maybe, if audiences were highly segmented, the conclusion would not follow and there could be a television equivalent of the *Financial Times* or *Guardian*. But the social profile of viewers of "Panorama" is not very different to that of "Dallas" viewers. There are just fewer of them.

There are two personal observations I will permit myself. The first is that although I started without strong opinions on advertising on the BBC, there was such a deluge of denunciation of the idea that it required a great deal of self-control on my part not to react by coming out in favour of advertising.

The second reflection concerns the "arrogance and complacency" of the BBC. This was an expression contemplated, but not in the end used in the report. The fact of this attitude has nothing to do with the personal qualities of those in charge of the BBC. It is that they are so used to the idea of being financed by what is virtually a tax on the possession of a television set, that they do not realise how rare, free and unusual their position is, and how much in need of continuing and detailed justification.

No other consumer products are financed in this way, certainly not books or newspapers or entertainment. Even the National Theatre and Covent Garden have to finance themselves in some part from box office takings.

Much worse than the method of finance of the BBC—which may be a regrettable necessity for the time being—is the general assumption that broadcasting, unlike the Press and the theatre, needs to be regulated, or censored. Cries of censorship are usually confined to particular programmes which displease the Government. But the whole process of the BBC, both its continuing editing of schedules and programmes and its long-term power to withdraw franchises from contracts that displease, amounts to censorship.

LEAVING interventionists have played on the fears of right-wing prudens to pretend that deregulation is all about soft porn in the early hours. They have ignored the very deliberate and gradual phasing in the committee's deregulation programme. The committee has been very careful not to lay down the law on matters of taste and decency, but has insisted that the current consensus embodied in the law of the land must prevail. It has even promised that existing exceptions in favour of broadcasting, such as the exemption from the Obscene Publications Act, should be removed, despite the qualms of more libertarian members.

MPs who identify freedom of speech and of artistic expression with soft porn are merely revealing something about themselves. Recent examples of broadcasting suppression include discussion of Count Tolstoy's book on British involvement in the forced repatriation of anti-Communist Russians and Yugoslavs, and a critical programme on the role of the IRA. Earlier on Churchill's warning on the dangers of Hitler were left off the air to please the party Whips. Every angle one of the Home Secretary's arguments on the supposed need to censor broadcasting because of its intrusiveness was heard after the invention of printing, which was just as provocative in its day. Freedom of speech was one of the four freedoms of the Atlantic Charter; and those who want to suppress it, on whatever pretext, are traitors to the Western heritage.

### The Long View

## International licences to print money

THE 18th century French philosopher Voltaire took a notably cynical view of the motivation of the money lending profession. If you see a banker jumping out of a window, he is alleged to have said, jump after him—there's sure to be a profit in it.

Now Voltaire was no fool. But in the mid-1980s his wisecrack looks suspiciously like a formula for losing money.

We have, for example, been told by Mexico's new finance minister Mr Patrioelli that his country is no longer prepared to waste scarce foreign exchange reserves in paying its debts on the terms originally agreed with the banks. We have also been assured, not so long ago, by a committee of central bankers under Mr Sam Cross of the New York Fed that the banking community is prone to underprice the multitude of new financial instruments with which it is deluging the international markets.

Indeed, if the new fashion for countries and corporations to by-pass banks by borrowing direct from markets had emerged in the mid-1970s, such underpricing would long since have precipitated a dreadful financial crisis. Instead of commercial bankers acting—as a tendency of next-to-last resort to troubled debtors in Latin America and in the energy and real estate sectors, we would have had troubled investors trying to dump bonds on panicky markets, thereby causing a collapse in the value of financial assets across the world.

Are we to conclude that Voltaire was a better satirist than bank analysts? Or has the financial world changed in ways that invalidate his observation? The answer, I suspect, is a bit of both.

The Cross report, in an exceptionally cogent analysis of the risks in financial innovation which merits frequent re-reading, argues that the pre-

In theory, bankers should ensure that margins are fat enough to compensate for the unknown. But, writes John Plender, in today's competitive deregulated markets this is to cry for the moon



dictive powers of bankers may have deteriorated because of an acceleration in the pace of economic and financial change. This reflects the growing tendency, in a period of disinflation, for credit flows to by-pass the banking system. And, indeed, the domestic markets: British industrial and

commercial companies are expected to raise up to £4bn in the Eurobond market this year.

Together with the propensity of financial commitments to slide discreetly off the face of bank balance sheets, this financial side-stepping act makes the business of assessing

the risks in individual banks very hazardous.

In theory, bankers, with a helpful nudge from the authorities, should respond by ensuring that their margins are fat enough to compensate for the unknown. But in today's exceptionally competitive, deregulated markets this is to cry for the moon. For one of the peculiarities of finance is that the going price is always set by the player who is willing to accept the blindest margin.

Worse still (though central bankers prefer to gloss delicately over the point) traditional financial disciplines are being eroded. As Mexico's continuing problems remind us, imprudent banking no longer automatically results in losses for shareholders or the sack for management.

True, Mr Walt Wriston, late of Citicorp, which led the charge into Latin America, has not since his retirement slipped so readily into some top person's sinecure as might normally have been expected. But it remains a fact that the US authorities could not afford to allow big banks to go to the wall because of the threat to the system. Only where a run on deposits took place, as at Continental Illinois, was imprudence punished.

Bankers have no doubt concluded that provided they hum in a pack and provided they play with large enough figures the most dangerous risks are worth flirting with, because the authorities will always print money to bail them out.

How high you rate these problems on the Richter scale of financial bother is partly a matter of temperament. A latter-day Pangloss like Walt Wriston (and Pangloss, of course, was another of Voltaire's creations) would argue that markets will adapt to take care of the problem. Others, like Mr Henry Kaurman of Salomon Brothers, feel that all history tells us that financial markets do not

adapt and that they have been heavily regulated precisely because of their tendency to impose shocks on the rest of the economy when bankers periodically lose their heads.

Few pessimists, however, are prepared to predict that doom will overtake us here and now. What can be said is that there is a fundamental flaw in the system which points to trouble in store. That is, the big corporations whose treasury departments trade ferociously in foreign exchange and deal in whole portfolios of currency and interest rate swaps; the investment banks and securities houses that play actively in all the astorically named European paper such as NIFs, RIFs and SNIFs; the insurance companies that are beginning to underwrite banking risks—none of these is subject to central bank supervision on a worldwide basis.

While central bankers—for all their imperfections—are probably the only people who can plausibly fulfil this role, they are unlikely to be given an exclusive right to the job. Witness the way the British have gone about banding a brand new system of supervision for the London markets.

In the wake of various scandals, the Bank of England has been empowered by legislation to strengthen its grip on commercial banks and the Treasury to muscle in on traditional Bank of England territory. Yet the Old Lady has only a limited role in relation to securities-related activity. So the task of preventing the failure of near-banks and non-banks will fall on numerous new and untried regulatory bodies. Political reality will dictate similar second or third-best patchwork solutions in other countries.

The moral in today's turbulent markets? If you see a banker jump out of the window, rush downstairs to check the foundations.

## Unit Trust performance for the twelve months to 1st June.

Trust	Percentage increase in value	Position in sector
Japan	+74.0	8th
European	+69.4	10th
Pacific	+60.3	4th
Worldwide		
Recovery	+54.0	3rd
International	+53.8	4th
Income & Growth	+43.8	2nd
U.K.	+28.5	31st
American	+24.3	7th
Practical	+20.1	4th
High Income	+16.2	15th

Planned Savings, offer to bid, income reinvested, 1.65%

Above we show the performance of all ten of our unit trusts, eight of which are in the top half of the overall performance table.

For further details call 01-489 1078. Or write to: Oppenheimer, 66 Cannon Street, EC4N 6AE.



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## MARKETS

## New high after 100 years

## Wall Street

WALL STREET celebrated the Statue of Liberty's one hundredth birthday party in fine style this week. The Dow Jones Industrial Average broke its record high for three consecutive days and began the third quarter by hitting its fourth century of 1986, breaking above the 1900 level.

Mr Alan Beshary, publisher of the Magic Market Newsletter, notes that when Miss Liberty arrived in America 100 years ago the recently launched Dow Jones Stock Average was trading at 63. By the time the lady and her torch had been assembled, and formally dedicated four months later, the index had risen by 44 per cent.

"Both a hundred years ago and now, we're witnessing two of the strongest bull markets in history," says Mr Beshary. "The coincidence caught me totally by surprise. It's an exciting discovery, and it may even hint at a new indicator and a new cycle."

His bullishness captured the mood of many of the big Wall Street money managers who were to be found quaffing champagne and nibbling canapés on the scores of private yachts which spent Thursday evening cruising around New York harbour waiting for Miss Liberty's torch to be relit by President Reagan.

Judging by some of the vessels, such as publisher Malcolm Forbes' luxurious "Highlander," complete with a brand new helicopter on its after deck,

times are very good on Wall Street at the moment. US companies have raised almost as much money in the first half of 1986 as they did in all of 1985, and underwriters have earned a record \$3bn in fees so far this year, which probably means that the number of bankers yachts with helicopter capability, as they say, is likely to multiply over the next few months.

The Dow Jones Industrial Average has put on more than 350 points since the start of the year, and after some hesitation a few weeks ago a growing number of money managers believe that it will top 2,000 before the end of the year. They caution that the market could see swings of up to 100 points a day either way, but this should not be worrying.

Mr Michael Metz, a stock market strategist at Oppenheimer and Company, is one of many respected Wall Street watchers who are amazed by the way Wall Street has shrugged off the recent bad news. This week saw more disappointing economic figures: The US Farm Credit Bank system reported that its second quarter losses had nearly tripled to \$800m, and CSX, the second biggest US railroad, disclosed a 2 per cent drop in its

boxcar loadings in the second quarter. None of this augurs well for second quarter corporate profits, which should start hitting the tape over the next fortnight.

However, Mr Metz says that the stock market appears not to "give a damn" at the moment about the dismal economic and corporate news. The stock market is being driven by very strong liquidity which is being channelled into financial assets. "America's growth recession is very bullish for the market," says Mr Metz, who expects an "absolutely insane speculative frenzy" to hit the market in a few months time. Is there is no correction in the short term.

This week saw a \$2.2bn bid for Panhandle Eastern, the high natural gas pipeline group, a \$1bn bid for Sanders Associates, a defence electronics firm, and ITT, the famous conglomerate, announced that it had done a deal with the French to sell its worldwide telecommunications operations for \$1.8bn. ITT shares, which were trading under \$45 two weeks ago, had jumped to \$58 by Thursday evening.

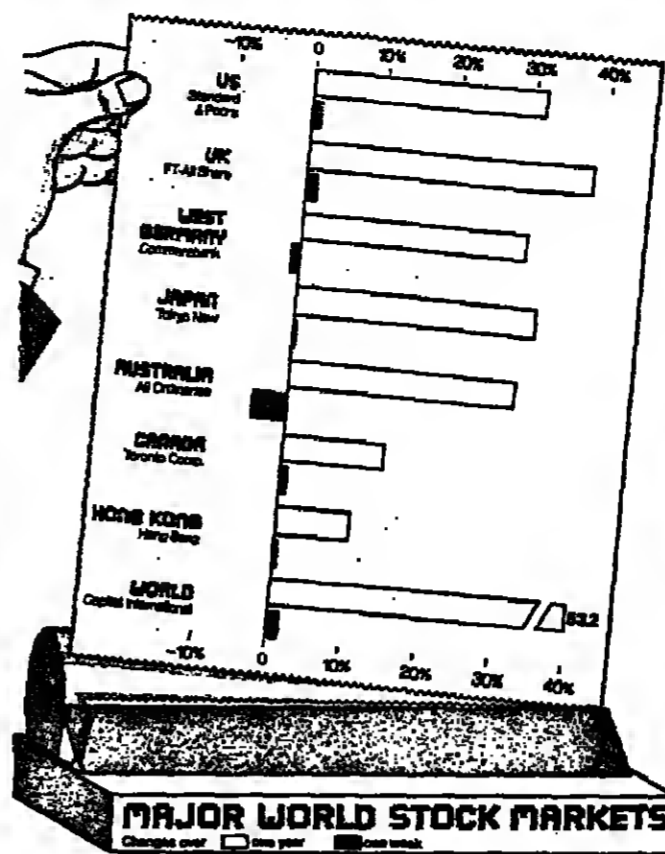
Aside from ITT, other stellar performers this week have been the shares of Marsh and McLennan, the world's biggest insurance broker, which hit a new peak of \$65, and Pfizer, the drug company, whose shares touched \$72. The continued slide in the value of the dollar, which came close to dropping through the Y160 level on

Thursday, is good news for drug companies like Pfizer and Merck, one of the top performing stocks in the Dow Jones Industrial Average in the first half of the year.

By contrast, shares of the financially-troubled LTV hit a new low of \$5 this week, and other steel companies like US Steel (\$204) and Bethlehem Steel (\$144) are bumping along close to their year's low.

While most investors will feel a warm glow as they review their portfolios over the Liberty Day weekend, the big test for the stock market is likely to come next week. Tomorrow's Japanese elections and the upcoming Federal Open Market Committee meeting are important events and could determine whether the world is about to embark on another round of coordinated interest rate cuts.

The news from the US economy makes many analysts believe that the Federal Reserve will be forced to cut the discount rate shortly, and this is already being reflected in the money markets, where six month US Treasury Bill yields have dropped to 5.85 per cent and long term US Government Bond yields are below the 7.2 per cent level. The weakness of the dollar is making some US central bankers decidedly nervous, but the current administration does not seem unduly perturbed and appears to be using it as a lever to encourage the Japanese and Germans to



bring their interest rates lower and boost their economic growth.

However, analysts are uncomfortable aware that while foreign investors have done very well out of the rally in the US financial markets over the past year, if they begin to lose confidence in the US currency it would cause US interest rates to back up

sharply and wreck the Administration's best laid plans. But this is not the sort of thing to be worrying about over the Fourth of July weekend.

MONDAY 1,892.72 + 7.46  
TUESDAY 1,902.54 + 10.82  
WEDNESDAY 1,909.03 + 5.49  
THURSDAY 1,906.87 - 8.16  
FRIDAY MARKET CLOSED

William Hall

## A new glitter for diamonds

THE WORST recession in the diamond trade since the 1930s is over.

"Demand for rough diamonds from the CSO is again back in balance with current production for the first time for many years," said a somewhat relieved, but confident, Julian Ogilvie Thompson, chairman of De Beers, at the World Diamond Congress in Tel Aviv this week.

The CSO (Central Selling Organisation) of De Beers regulates the marketing of over 80 per cent of world output of rough diamonds—those in "raw" form before being cut and polished—mined by De Beers and other producers. This entails buying the output from the mines and holding back part of it from the market when necessary in order to maintain steady prices.

Over the years other commodity schemes have been set up with the same idea, but all have come to grief—the most recent example being the collapse in a cloud of debts of the International Tin Agreement. The CSO, however, is still going strong after 56 years. "We have succeeded where other commodity stabilisation schemes have failed," said Julian Ogilvie Thompson.

It has not been easy. In the late-1970s spiralling inflation touched off a rush to exchange depreciating paper money for diamonds, notably the larger "investment" gems.

Their prices rose sharply and at one time the rare "D" colour, flawless, stone of one carat was reputed to have fetched over \$65,000; a couple of years later when the inflation fears had passed that diamond could have been had for \$40,000.

Similarly, the diamond cutters and polishers built up, and began to hoard, big stocks of rough diamonds with the use of borrowed money. When the inflation bubble burst they were stuck with stocks of unfinished diamonds that were bigger than they needed or could afford.

De Beers had to continue to buy the output from the mines, making heavy borrowings as its stockpile of unsold diamonds rose from just under \$1bn in 1980 to \$1.95bn in 1984. CSO sales in the cutting trade were confined to the smaller and cheaper diamonds that could still find a market.

Retail demand for these more modest diamonds strengthened to new records during the years and, importantly, last year saw

demand broaden into the previously unsaleable higher quality goods. Over the same period the CSO rationing policy had the desired effect of forcing the cutting trade to work through and reduce its own big stocks.

At last, those stocks are down to normal levels, having come down by an estimated \$5bn from

## Mining

the peak levels. De Beers' stockpile stopped rising last year, while CSO sales of roughs—both gem and industrial qualities—increased by 13 per cent to \$1.82bn.

The increase this year bodes to be more dramatic. Helped by an average price rise of 5.5 per cent—the first since 1983—CSO sales for the first half of this year have climbed to \$1.21bn, an increase of 45 per cent over the same period of 1984. There is no doubt that a part of these sales will have come from De Beers' stockpile.

Further sales from the stockpile can be expected in the second half, reaping a delayed profit harvest for De Beers and reducing the borrowings. Diamonds, like gold, are sold to dollars, and De Beers being South African company will also receive a big boost from the conversion of this dollar revenue into weak rands.

So the first-half results for this year, which are due next month, should make a good showing. Last year an interim dividend of 15 cents was followed by a final of 40 cents. This time an interim of, say 20 cents, may be on the card but it remains to be seen whether the year's total will match the previous peak of 7 cents paid for 1980.

Incidentally, the return to diamond prosperity should also rub off on the big Argyle operation in Australia of CR (38.8 per cent), Ashton Mining (38.2 per cent) and the Western Australian Government (5 per cent). An indirect interest via Ashton—of 17.7 per cent—held by Malaysia Mining Corporation.

Argyle's output is mainly in the form of industrial and small gem diamonds, but it is rising sharply now that the major mining phase is under way.

Kenneth Marston

## Fear of fall as utilities crack

DECISIONS by five Canadian securities firms and a leading investment management group to go public in the past two months may be a more revealing reflection of their views on the future course of Toronto share prices than the careful wording of their analysts' research reports.

During the period the brokers have been issuing their shares, the 300 index has obligingly hovered close to its April 18 record of 3,129.1. The securities firms, which have boasted returns on equity of 50-60 per cent in recent years, have offered their shares at prices of about three times book value.

But many experts are nervous that the market is likely to go down rather than up in the next few months. Mr David Williams, vice-president for pension funds at Beaulieu Goodman & Co. Toronto investment managers, says there's a "measurable risk of some kind of market setback."

Mr Williams and others have been spreading that message

for several months. Mr Philip Heitner, portfolio strategist at securities firm Nesbitt Thomson, says "There should have been a correction of about 10 per cent."

Share prices have cracked in some sectors. Oil and gas producers have lost a quarter of their value in the past year. Telecommunications shares are down by 16. Utilities by 9 per cent and Uranium and Coal Mines by 7 per cent.

But the rest of the market has so far defied pundits' advice to take profits and raise cash balances in expectation of a dip in share prices. Most sectors continue to be buoyed by a switch from bonds to equities, by some new foreign investment and by a raft of imaginative new issues, including those of the securities firms. Retail and junior industrial stocks have done especially well.

The most dramatic sign that bulls are still wide awake in Canada is the startling performance of Abco Corp, a near moribund record company whose new owners plan to transform it into a waste dis-

posal business. Abco's share price rocketed from less than C\$1 in May to C\$32 at the end of June when the TSE decided to halt trading.

The number of new listings on the TSE has shot up from an average of seven a month between January and May, to 15 in June and two on the first trading day of July.

Toronto celebrated its 1,000th listing last month. To the dismay of the exchange's public relations department, the company in question was a rather dull investment vehicle whose sole activity is to buy and sell shares of Royal Bank of Canada. Nonetheless, the TSE plans a party to mark the occasion.

In terms of market perfor-

mance however, the partygoers may have less to celebrate later this year than they do now. There is little for the time being on which to pin hopes of a further broad advance in

## Toronto

share prices. Canadian business activity—among the strongest in industrial countries in recent years—now shows signs of gently slowing. The latest figures on car sales, steel output, housing starts and job creation are all slightly down compared to a year ago.

Interest rates, which have come down sharply since they

were raised early this year to shore up the Canadian dollar, are not expected to fall much further.

There is little on the horizon which appears to justify higher share prices without a substantial further advance in earnings. Publishing, broadcasting and other media companies, which have been among this year's highest fliers, are trading at multiples of around 20 times earnings.

Many investors have already begun looking for greener pastures. Canadians have poured huge sums of money into mutual funds specialising in offshore investments. First Australia Prime Income Investment Co. with holdings of Australian and New Zealand debt securities, drew C\$177m from Canadian subscribers last May out of a total international offering of C\$218m. Similarly, Global Strategy Fund, managed by the British merchant bank NM Rothschild and Co. has attracted more than C\$120m since it was launched in Canada ten months ago.

Some experts are starting to look further ahead than the downturn expected over the next few months. Mr Robert Farquharson, executive vice-president of AGF Management, a leading mutual fund group, argues that corporate profits will be buoyed in the long term by a stimulatory monetary policy and by moves in Canada towards following the US example of wide-ranging tax reform.

According to Mr Farquharson, "I'm not convinced that the upcoming correction will be devastating, in that it will not last a long time." Nesbitt Thomson has already started recommending stocks which it thinks will do well after the TSE has caught its breath. Its selections include Mitel, the telecommunications equipment manufacturer acquired earlier this year by British Telecom, and Denison Mines, the Toronto-based mining energy and Cement Group which recently passed its dividend for the first time to 27 years.

Bernard Simon

## ONE YEAR ON AND 103% UP.

TRUST	POSITION IN SECTOR	INCREASE
Japan Growth	1st	103.6
American Growth	2nd	56.2
American Income	4th	29.4
European Growth	2nd	89.2
Far East Growth	3rd	62.8
International Growth	18th	25.6
UK Growth	7th	47.5
UK Income	25th	31.0

An investment of £1,000 made last June in our Japan Growth Portfolio has more than doubled in value.

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FINANCE & THE FAMILY

Indian fund

A FUND to allow expatriate Indians and others resident outside India to invest in the securities markets of India has been launched by Merrill Lynch Capital Markets and Unit Trust of India (UTI) with the main objective of capital appreciation.

The India Fund is a Guernsey-based closed ended unit trust—similar in principle to an investment trust—in which 60m shares of £1 each will be offered at £1.0325 per share. The net proceeds of the offer will be used to subscribe for a special class of units in a scheme created for the fund by UTI which will manage it.

UTI is the only unit trust company in India, where it has more funds under management than any other public investment company—Rs 37.4bn (£2.65bn) on March 31 1986.

Income earned and capital gains realised will not be subject to taxation in either India or Guernsey but income distributions to the fund from stock markets will be paid after deduction of 25 per cent Indian withholding tax.

NATWEST is improving the special package it offers to attract student accounts. It is increasing to £10 the cash limit for first-year students



opening accounts and raising the amount that can be borrowed on overdraft at preferential interest rates from £150 to £200. Among other incentives are a current account free of normal charges until December of the year studies are completed and a cheque card for 18-year-olds receiving a local authority grant.

THE "Blue Chip" mortgage was launched this week by the National Home Loans Corporation. It will be marketed through eight life assurance companies.

Interest rate on "blue chip" loans will be directly linked to three months London Interbank Offered Rate (LIBOR). A fixed premium of 1.25 per cent will be added to the LIBOR quotation on the 30th of each month, which will then be used to calculate the rate charged to the borrower for the following month. The rate charged will be notified in the borrower monthly and automatically be paid by a variable direct debit.

For July, using the LIBOR quotation of June 26, the rate is 10.225 per cent. The scheme is available only on

mortgages of over £50,000, but can be linked to endowment policies or pension plans. A similar LIBOR-linked mortgage scheme was announced by Citibank last month.

Meanwhile the Mortgage Corporation, which has been seeking to break into the market with a television advertising campaign, has cut its interest rate by 0.25 to 10.25 per cent, making it one of the cheapest available and well below the 11 per cent charged by the major building societies. The reduced rate, effective from July 1, applies to new and existing borrowers.

BARCLAYCARD is offering its 8m Barclaycard holders a protection against the loss or theft of all cards, be they credit, cheque or cash cards, and emergency cash of up to £200 for cardholders stranded away from home. The new service costs £6 for one year.

BUY NOW while stocks last seems to be the message in the National Savings promotional literature for its Yearly Plan. It emphasises that you should act quickly if you want to take advantage of the plan, which still offers an annual interest rate of 8.19 per cent tax free, guaranteed over five years.

It warns that the plan, which is of special appeal to high rate taxpayers, can be withdrawn at any time now without notice, and adds that since the fall in interest rates the number of applications for the Yearly Plan has increased in well over 2,000 a week.

After the big Euro-crash

John Edwards surveys the state of European unit trusts, and finds that the market expects a revival

INVESTORS have become so used to European unit trusts booming on the back of spectacular market price rises that it came as something of a shock when a few weeks ago things started to go horribly wrong. There were some dramatic price declines in several European markets, notably in previous high fliers like Italy, France and Spain, and even the more solid German and Swiss markets came under strong selling pressure.

Now the dust has settled and "the consensus is that the price declines were only a temporary hiccup—a necessary technical correction after the previous growth. And after a period of consolidation, prices will start to rise again in the last quarter, although probably not at the spectacular rate of last year.

"We do not expect anything much to happen for the next few weeks, but are confident that prices will pick up by the end of the year," said Deborah Rees of Kleinwort, Greaveson, whose Barrington European unit trust has been one of the

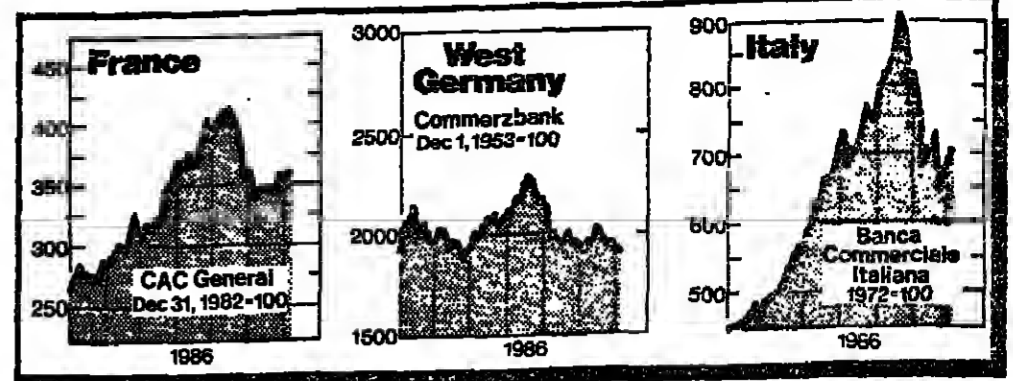
top performers. She anticipates the recovery may come earlier than expected, in mid-August when European investors come back from their holidays and may try to anticipate a September upturn.

While it would be unrealistic to expect the kind of rises seen last year, the fundamentals were sound and the economic news good, with consumer spending

EUROPEAN PERFORMANCE

Fund name	Since April 1986	Since July 1985
Baring First Europe	-2.4	+92.8
Baillie Gifford Europe	0.0	+84.6
Barings Europe	-1.6	+84.4
Baring Europe	-3.8	+82.6
Sun Life Europe	-6.2	+76.5
Wardlaw Europe	-9.5	+74.6
Hill Samuel European	-3.8	+72.4
Grosvenor European	-5.4	+72.3
Tyndall Europe	-4.3	+69.6
Tenel Eur. Sp. Sls	-7.2	+68.9

Source: Opal Statistics



bouyant in Germany and Switzerland. In her view the beneficial effect of lower oil prices had been anticipated too early but would soon start coming through.

At the same time the bearish impact of the decline in the US dollar had been unduly exaggerated: it was largely a myth that exports might be hit, since only some 10 per cent of European goods were sold to the US. On the other hand the weakness of sterling against European currencies could benefit the UK investor.

Bill Richards of Sun Life said a setback in prices had been long overdue after a period of strong increases, particularly on some markets. People had been over-optimistic early this year and decided to take profits when the first quarter figures for economic growth failed to live up to expectations and many had switched to Japan. But special factors had been at work during the first quarter: there had been a particularly cold winter in Europe and de-stocking by companies anticipat-

ing lower prices, so the fall benefits of the lower oil prices had yet to come through. After the summer break things should start to pick up again. He recommended buying European unit trusts while prices were weaker, in anticipation of stronger markets developing later in the year.

There was a similar message from John Pollen of Baring. He said that investors had decided to take profits after the disappointing first quarter economic figures. In the previous euphoria the temporary slowdown in demand had been overlooked. But the worst was now over and prospects were good for later this year. Retail spending, and capital investment were rising and there was sustainable growth rate.

Jane Reybould of Capel-Cure Myers agreed that the worst of the profit-taking was now over. She noted that several of the markets had become very overheated and had suffered a normal correction after some phenomenal price rises, parti-

cularly in the smaller markets. In Germany the impact of disappointing first quarter figures had been aggravated by the Bundesbank holding up interest rates.

Martin Rasch of Perpetual, one of the many unit trusts that jumped on the European bandwagon this year, not included London in its European investment, said there had been a "nice setback" which would provide a good chance to buy after the holiday period. Top of their list would be the Netherlands, where the market had not yet reacted to the recent election result, followed by Switzerland and Germany. There was some uncertainty about the Paris market in view of the number of de-nationalisation rights issues.

As the table shows, if you put your money into European unit trusts belatedly this year, especially after the peak was reached in May, then you would be a loser. But if you went in last August, when the last boom really started, you would be well ahead.

Gilt funds hit snags

Nick Bunker explains the implications of two recent tax changes

LIFE GETS even harder for private investors trying to boost unit trusts as homes for their savings. The latest blow comes from recent tax changes which adversely affect gilts—those 70 or so unit trusts which invest in government securities for income or capital growth.

Most gilt funds originated in the early 1980s, when unit trusts saw a marketing opportunity in the problems private investors face in picking the best performing fixed interest securities.

Monthly tables published in Money Management magazine show that gilt fund prices have generally outstripped the FT government securities index—the performance figure investors have to watch when choosing a fund.

The Inland Revenue has, however, now left the gilt funds with two tax problems—discouraging unit trust groups either to change their gilt investment strategy, or to completely reshape their capital growth gilt funds.

First, the capital growth gains have been caught by the new so-called accrued income schemes, which came into effect on February 23. It aimed to clamp out bond-washers—the racists whereby investors

would sell a gilt shortly before the next interest payment date, with the profits chargeable to capital gains tax at a lower rate than income.

Rather unexpectedly, the new rules hit gilt funds with a possible 45 per cent charge on profits taken within the fund from sales of its holdings.

This happened because unit trusts have successfully lobbied in 1980 to have their gilt funds treated as trusts, rather than as companies, for tax purposes—and 45 per cent was the tax charge for trusts in the 1985 Finance Act's anti-bondwashing provisions.

Since February, the Unit Trust Association has been exchanging views with the Inland Revenue and the Department of Trade and Industry on a possible easing of the rules—but at the moment the Inland Revenue seems unlikely to budge.

The second tax change came this week, when capital gains tax was finally abolished on all gilt sales. The problem is that CGT will still apply on the sale of units in a unit trust—putting investments via a gilt fund at a tax disadvantage compared with direct purchase of gilts through a stockbroker or over a Post Office counter.

This will, in fact, have little impact on most private investors, says Mr David Glasgow, managing director of Abbey Unit Trust Managers, because "people who invest in gilts through unit trusts are prob-

ably small investors who are not paying capital gains tax anyway." After all, an investor has to make more than £5,300 total capital gains in one year before becoming liable to CGT.

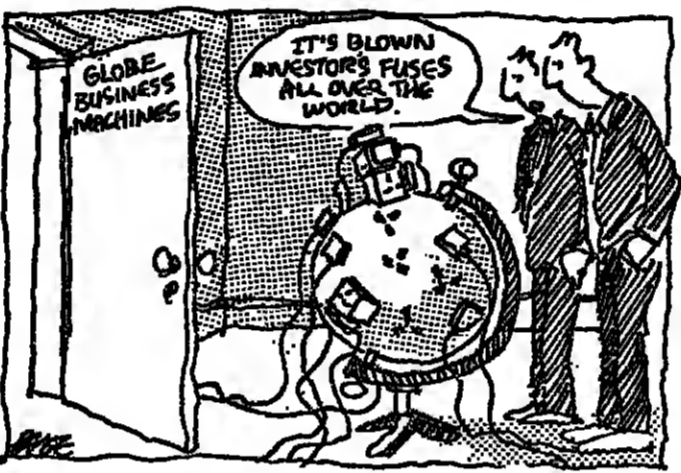
Second, even an investor paying CGT might still be better off buying his gilts through a unit trust. If the trust was consistently outperforming the gilt index.

The Inland Revenue's accrued income scheme is a bigger threat however to capital growth gilt funds—and several management groups, among them Save and Prosper, have already merged their capital growth funds with other trusts.

There are two other defensive moves open to fund managers. First, a gilt fund could change its trust deed—transforming itself back into a trust liable for corporation tax, at 35 rather than 45 per cent.

They could also try a policy switch—by, say, holding more low-coupon stocks. Less income accrues on a low coupon stock, again reducing the possible tax charge resulting from a sale. That however will limit the dealing options open to fund managers—and their scope to outperform the market.

Private investors anxious to get the best return will have no alternative but to watch more closely than before movements in the FT gilt index—so as to check whether a given gilt fund is still keeping ahead of the game.



Be Eternally Suspicious...

Investor's Tale

Kevin Goldstein-Jackson looks at the problems facing unwary BES investors

"YOU HAVE invested in a young dynamic company whose modern products will sell into an ever-increasing market-place," wrote the managing director of Globe Business Machines in a June 1982 letter welcoming me as a shareholder in his company. GBM had been established as a business start-up scheme to manufacture word processors and computers.

By November 1983, the agents of GBM, Dartington and Co (the Bristol-based licensed dealers in securities) had felt obliged to write to GBM shareholders to tell them that the company was "in severe difficulties" and that "unless some more money is put in very quickly the company will shortly go into receivership or liquidation."

Dartington therefore recommended that GBM be taken over by another company and the princely sum of £1 was offered to each shareholder for their entire GBM shareholding. GBM was my first experience with a business start-up scheme and showed that despite the considerable tax advantages it was still possible to transform an original investment of £510 into only £1 in 18 months.

Last year, BES schemes really seem to have "taken off" and I received numerous prospectuses. In one week alone I received six of them.

Perhaps BES should also mean Beware of Everything Schemes. You have to beware of investing too much money in "risky" ventures where to retain the full tax advantages the shares have to be held for five years; and beware of the promoters, their fees and charges and the small print; and beware of the nature of the proposed business.

I therefore looked carefully at all the prospectuses and was somewhat surprised at the differing amounts the sponsors were receiving. Some seemed to be taking rather a lot, while others charged quite reasonable fees to the companies they were promoting and/or took a modest fee from investors.

An interesting feature of the prospectuses was the information given about the performance of previous funds. For example, the prospectus for the Second Melville Fund listed 11 companies in which the Creative Capital Fund had invested a total of £355,000. Two of those companies had gone into receivership and a third was in liquidation and these had represented £87,000 of the fund's investments.

The prospectus for Electra Risk Capital Fund IV Fund showed that the II Fund had invested £10m out of which £282,500 had been in companies which had subsequently gone into liquidation. The prospectus did not list the investments of the First Fund and the fate of those investments.

After much consideration, I invested in two 1985-86 BES schemes. The first was Hotel Apartments, formed to provide quality hotel suites in prime areas in Central London. It was sponsored by Johnson Fry and Co.

The first property bought by Hotel Apartments met with planning problems and in June 1986 a circular to investors stated that the property would be sold at a price which would produce "a profit, possibly substantial, to the company." Meanwhile, it had purchased the Alexander Hotel, not far from Harrods.

My other, but much smaller, BES investment was in the Audley 1985-86 BES scheme. I was attracted to this because it was sponsored by Audley Fund Management, a company associated in its BES venture by PKBanken, one of Sweden's largest banks.

PK's London subsidiary, PKF International (UK) had been trading in London since October 1984 and it seemed to me that as "newcomer" to the City they would be particularly keen to ensure that their ventures met with success in order to establish a successful track record in the UK.

It remains to be seen how these investments will turn out, but at least they have enabled me to deduct 60 per cent of their cost from my tax bill and I can only hope they will turn out far better than Globe Business Machines.

The BES enigma

Alice Rawsthorn explores the pitfalls of investment in a high-risk area

FOR MANY investors, subscribing to a business expansion scheme fund is an enigmatic affair. They invest in the knowledge that their investments will come to fruition at the end of the scheme's statutory five years and in the meantime have little or no knowledge of how their portfolio is progressing.

The venture capitalists which run business expansion funds are notoriously loath to disclose details of the portfolio's development, possibly because they are afraid that investors will be prompted to make short-term judgments on the progress of what are essentially long-term investments.

Yet last week Oakland Management Holdings, which administers the Alpha business expansion funds, released its annual report which monitors the development of those funds. On the surface, at least, the report makes very gloomy reading.

In the first fund, Alpha I, four companies have gone into liquidation or receivership, representing the loss of 24.3 per cent of the fund's investment base. Meanwhile the net book value of the fund has fallen by almost 50 per cent from the £1.59m originally invested to under £1m.

The second fund, Alpha II, has fared little better. Of the

original portfolio two companies, or 17.2 per cent of the original investment, have been lost, while the value of the portfolio has fallen by 15 per cent.

Gauging the progress of the third fund, Alpha III, is more difficult, given that it is relatively young—it was launched little more than a year ago. Yet one company has gone into liquidation, representing the loss of 33.7 per cent of the original investment. The value of the overall portfolio has fallen by 30 per cent.

Oakland Management Holdings argues, quite sensibly, that the Alpha funds are relatively young, that in such a high risk area of investment as the business expansion scheme early failures are inevitable and that the performance of the funds should be judged by their value at the end of five years, when the long-term successes should have balanced out the short-term failures.

Nonetheless, the performance of the Alpha funds is relatively poor when compared to that of the business expansion schemes as a whole.

According to the Peat Marwick Mitchell report on the business expansion scheme, one in six scheme-financed companies fail, representing just under 12 per cent of the capital invested.

Given that business expansion funds have been presented to investors as a more secure form of investment than direct issues—investors have every right to expect the "success rate" of funds, even at an early stage,

to be higher than that of direct issues.

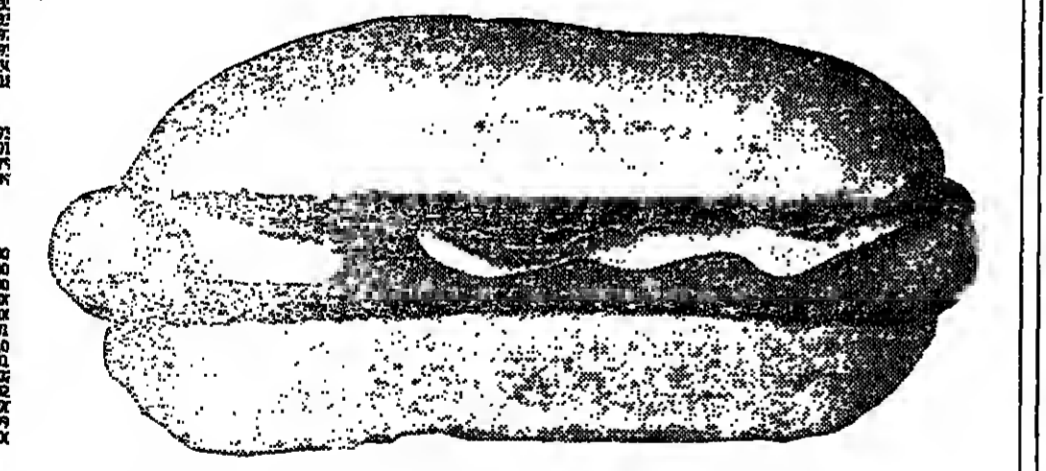
Yet Alpha's experience, albeit short lived, with an average failure rate of 18.4 per cent for the three funds launched in 1984 and 1985, is below par for the scheme as a whole.

Charterhouse Development Capital, a subsidiary of the merchant bank, Charterhouse Japet, has invested £13m in 29 companies through three funds, and, like Oakland, has just launched its fund for the 1986-87 taxation year.

According to Mr Richard Duncan, Charterhouse's managing director, the first Charterhouse fund has lost one company, representing 10 per cent of the original investment, while the second has also lost one company, representing 7.3 per cent.

Lazard Development Capital, part of the merchant bank, Lazard, has invested £19m in 38 companies through five funds, and has just introduced a sixth. Thus far it has lost just one company, from the second fund, representing 4 per cent of the investment. Meanwhile, the value of the first fund has risen by between 5 and 10 per cent in two and a half years.

In the early days of the business expansion scheme investors tended to opt for funds, which were perceived as a less risky form of investment. As the scheme has matured, and investors have become better attuned to it, they have turned away from funds and direct issues now absorb the larger proportion of the capital invested each year.



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Disregard for shibboleths is the hallmark of a new scheme on offer from Allied Dunbar. Eric Short assesses its advantages for borrowers



## Head over heels

MARK WEINBERG, the chairman of Allied Dunbar Group, has been noted for turning accepted practices on their head ever since he first appeared on the life assurance scene well over two decades ago. So it is not surprising to find that Allied Dunbar's direct entry into the house mortgage market does precisely that as far as mortgage shibboleths are concerned.

The intention is that borrowers should get a speedy and efficient service and that borrowers should pay a fair interest rate with no cross-subsidies between mortgages. Every new scheme claims to offer the first feature, and mortgage offers, at least provisionally, now come very quickly—though this is due as much to the glut of mortgage finance as to office efficiency. It is the second feature which has brought about the surprises, leading to the following features:

● Interest rates fall for larger loans. General practice is to charge the same rate irrespective of the amount of mortgage, but Allied Dunbar is charging 10.5 per cent for loans of £75,000 or more, 10.75 per cent for loans of £40,000 to £75,000, and 11.25 per cent for loans of £20,000 (the minimum) to £40,000.

The interest rate structure reflects the lower unit costs involved in higher mortgages and ensures no cross-subsidy. It also ensures that Allied Dunbar will get very few applications for mortgages below £40,000.

● Repayment mortgages are available—this is a surprising feature from a life company, where the main reason for offering mortgages is to boost life and pensions business by effectively banning the repayment method. However, the interest rate is 0.25 per cent higher for repayment mortgages. At present almost all lenders charge the same rate and until a few months ago borrowers paid higher interest rates for interest-only endowment or pension mortgages.

Again this higher rate reflects the lower yield to the lender of a repayment mortgage, compared with an interest-only mortgage.

● AVC mortgages are also available. Allied Dunbar at present does not operate an Additional Voluntary Contribution arrangement on pension schemes, so it will accept most AVC schemes for repaying a mortgage, providing the main pension scheme's rules comply with Allied Dunbar's requirements.

Indeed, Allied Dunbar is fairly relaxed over life policies. It will accept another life com-

pany providing the death cover on a repayment or pension mortgage.

The service will be provided by a newly recruited mortgage team who in the spirit of the pending financial services legislation have been trained and examined in all aspects of marketing mortgages.

The mortgage limits are 2½ times main salary, plus the secondary salary—which is somewhat on the stringent side up to 85 per cent of valuation. However, in the unbracketed this is not likely to be a handicap to reaching the £100m target.

The service offers a Home-loans Priority Certificate which reserves funds for three months. There is also a facility for further advances, with a minimum of £3,000, which provides further advances within five years without another check on income or property valuation.

Meanwhile, the Co-operative Insurance Society's re-entry into the mortgage market was an active player up to 15 years ago—is designed more towards the lower end, with mortgages from just £5,000 to £100,000 in its Mortgage Maker package.

The CIS is offering both endowment and repayment, but not pension mortgages, at an interest rate of 11 per cent—the general market level for major mortgage suppliers. However, its interest is charged on the monthly balance outstanding, making it more competitive than the average building society loan.

At the same time, the package contains several other special "fringe" features. For a start, CIS legal fees are well below average at only £45 for all new mortgage loans and as a special introductory offer even these fees will be waived entirely during 1986.

Applicants will also receive a privilege discount voucher entitling them to 12.5 per cent off furniture and carpets at most co-operative stores. And there is a permanent health insurance policy to cover mortgage payments in the event of sickness or disability.

CIS is second only to Prudential Assurance in the home service insurance field—that is insurance companies which transact business through agents calling at the homes of policyholders and prospective policyholders.

The CIS intends to market its mortgage packages primarily through its 7,000 agents and is using home calling as the central marketing theme: "There can't be a better way to arrange the mortgage you require than by discussing it in the comfort and privacy of your home."

ADVERTISING A PRODUCT costing a minimum of £50,000 is not normally associated with the mass audience provided by television. But in recent weeks Capel-Cure Myers, London stockbrokers, has been doing just that in publicising its Master Portfolio unit trust on TVS. The campaign is due to be extended to London in the autumn.

The commercial is very low key, discreetly mentioning the £50,000 minimum and adopting the soft-sell approach. It has not brought a dramatic response, but it does point the way to the different kind of approach to investors that is likely to be adopted in the fiercely competitive conditions following the Big Bang in October.

In the US, which had its Big Bang more than 10 years ago, financial advertising of this kind on television is quite common.

Back in 1983, Capel-Cure Myers, a subsidiary of the ANZ banking group, were the first stockbrokers to use television advertising. But the product they are publicising now is seen as another method of extending stockbroking services to a wider audience.

The Master Portfolio uses the popular package of a unit trust to provide investors with the kind of service normally only available to stockbroking clients with a great deal more than £50,000. In exchange for not having your own individual portfolio, you gain the tax advantages of a unit trust—deferred payment of capital gains tax—and a variety of other services, such as regular briefings and reports on market trends at a low cost.

If you have more than £50,000 you can set-up a "satellite port-

John Edwards tells how to be a stockbroker to the masses

## A soft sell on TV



folio" alongside your holding in the Master Portfolio and use this for picking individual shares or other investments.

The Master Portfolio itself is selected, and varied according to market conditions, by Capel-Cure Myers to perform conservatively with a wide spread of investments in equities in UK and overseas markets, balanced by a proportion in fixed income instruments such as gilts and bonds.

Not that much different from a normal general unit trust,

except that you get the ancillary stockbroking services and the cost of jolting is a lot cheaper. Because of the high minimum, for a unit trust, the initial front load charge is only 1.5 per cent (compared with 5 per cent normally) and you should be able to negotiate an even cheaper charge for amounts over £100,000. There is an annual management fee of 1 per cent, much the same as other unit trusts.

According to Fred Carr, marketing director of Capel-

Cure Myers, the Master Portfolio has attracted nearly £30m of investment since its launch last November. The average holding among the 380 investors is £80,000 but there are several well above the £25,000 mark.

Mr Carr says that discretionary management is far better for sums of this size. "Timing is crucial—we have to have the ability to act quickly," he explains. However, investors are given regular monthly reports on the progress of the fund and what has been bought and sold, and why.

While Capel-Cure Myers has been going for the top end of the unit trust investment market, Touche Remnant has used the same formula (called the Managed Equity Plan) to encourage share-ownership to the small investor, who has probably so far kept his money in a building society or high interest bank account.

To emphasise the point Touche Remnant has set a maximum (£5,000) as well as a minimum (£500) for investors in the plan. Since the launch in May, the plan has attracted £3.2m spread among 4,000 investors. Mr John Gittings, managing director of Touche Remnant unit trusts, says it is obvious that most of the 4,000 are first-time investors, some of whom have little or no knowledge of the stock market.

He is "very encouraged" by the response since the plan, which also adopts a very conservative investment policy, is aimed at taking a long-term view in promoting unit trusts to a larger public. The main targets are investors who are becoming concerned at the declining rate of interest payable on building society accounts.

## Theft-proof

Where you live can make all the difference to home insurance. Jeremy Sandelson explains

INSURANCE policies for household contents differ widely in cost and terms of cover, so it is worthwhile shopping around. The amount of premium you pay each year depends on three main factors. First, the sort of policy and cover you choose; second, the amount your possessions are actually worth; and third, where you live.

The main reason why the cost varies according to where you live is because the frequency of theft differs throughout the country. In Britain today, someone's home is burgled every two minutes—but the chance of the robbery occurring in London is 20 times higher than in the country.

The prospectuses issued by most insurance companies now divide the country into a number of "rated" districts. Once you have chosen what cover you want and for how much, the premium will depend on the rating of your district.

At the top end of the scale will be those areas of extreme high-risk such as central London. In the middle and halfway down the scale would be a town like Slough, in Buckinghamshire, and at the bottom end of the scale you might find a place like Lincoln or Shrewsbury.

One well-known insurance

company charges a London premium four times more than the bill for the same cover in a low-risk area.

No matter where you are, however, it might be worth looking at your home's protection against burglary because good security measures can reduce your premiums. In fact, if you live in a high-risk area and have a certain amount of valuables, you might find that your insurance company insists you install safeguards against burglars.

If you have already been robbed, your company might renew cover only when it has physically checked your security measures. If not satisfied that your home is protected adequately, it could insist that you fit a burglar alarm or even steel-shuttered doors inside the French windows.

Make sure you do listen to what the insurance company says, because the "recommendations" may be policy conditions and you will not get cover unless you comply with them.

In the words of the insurance ombudsman: "The position is simply that if a condition is imposed, the house contents are insured against theft or vandalism ONLY when the safeguards are used... no matter how tiresome they may be."

With some companies, there can actually be a bonus for you if you improve your security measures. For instance, the Home Shield policy issued by the Royal gives you a full 15 per cent discount off the premium if you have an alarm.



IF YOU THINK YOU'RE  
THE LAST PERSON  
TO BUY STOCKS AND  
SHARES, YOU'RE  
THE FIRST PERSON  
WE'D LIKE TO TALK TO.

## BRIDGE

IT IS THE ability to overcome the unkind breaks that marks the first class player. In my two hands today the declarers were defeated because they failed to spot the key play that turned this little slam from a rubber:

N  
♠ AK 10 8 6 2  
♥ K 7  
♦ 8 6  
♣ 9 4 3

W  
♠ J 9 7 4  
♥ J 10 8 2  
♦ 10 9  
♣ J 6 2

E  
♠ 5 3  
♥ 4  
♦ Q J 7 5 3 2  
♣ Q 10 8 7

S  
♠ Q Q 9 6 5 3  
♥ A K 4  
♦ A K 5  
♣ A K 5

With North-South vulnerable, South dealt and opened the bidding with two hearts rather than two clubs, and South rebid three clubs. North now jumped to four hearts. South introduced a Blackwood four no trumps, receiving the response of five diamonds, followed by five no trumps, which was answered with six hearts, and South's six no trumps ended the auction. Six spades by North is cold, as is six hearts by South, but in six no trumps South managed to go down.

Winning the diamond lead in hand, the declarer cashed the spade queen, crossed to the heart king, and cashed the ace and king of spades. Finding the spades divided 4-2, he came to hand with a heart, but West had the suit held and the slam was lost.

A little thought shows the right lines of play. The declarer does not need to make six tricks in hearts—five are enough. After cashing the spade queen at trick two, he must lead a heart. West plays the eight, and dummy plays the seven.

West is allowed to make a trick in the suit when he can do no harm with the lead. The declarer wins the diamond ra-

losers on the ace and king of spades, and claims the rest of the tricks for contract. Very simple, really. But this mental blindness can attack even the first class player on occasions. Now for another no trump contract, also from rubber bridge:

N  
♠ Q 10 9 5  
♥ 7 4  
♦ K 10 9 7 3  
♣ A 7

W  
♠ 4 3  
♥ 9 5 2  
♦ 5  
♣ Q J 10 9 3

E  
♠ K J 2  
♥ K 10 8 6  
♦ J 8 4 2  
♣ 5 4

S  
♠ 6  
♥ A Q J 3  
♦ A Q 8  
♣ K 8 2

South dealt at a love score, and bid one no trump, to which North replied with a Stayman two clubs. South said two hearts, North jumped to three no trumps, and all passed.

West led the club queen, and the declarer won in hand in order to preserve dummy's ace as an entry. Nine tricks seemed reasonably safe, but when South cashed ace and queen of diamonds, West failed to follow to the second round. Seeing that a diamond must be lost, the declarer crossed to dummy's king with a third diamond, and conceded a trick to East's knave.

The club return was taken by the ace, the last diamond was cashed, and the knave of hearts was successfully finessed, but with no way back to the table to repeat the finesse, South ended up with only eight tricks.

When the bad break in diamonds comes to light, the declarer realises that the heart finesse must be assumed to work. He must create another entry to the table. He should overtake his diamond queen with dummy's king—this does not cost a trick—take a heart finesse, and return a diamond to the nine.

East makes his knave, but the declarer can return to dummy via the ace of clubs to cash two diamonds and take a second finesse in hearts. East-West can meanwhile make three spade tricks, but that is all.

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THE STOCK EXCHANGE

Frank advice from new boss Fred

Eric Short on the effects of the rescue of UK Provident—and on policyholders' moves to protect their investments



Fred Cotton: accepting he should keep investors informed.

THE OPERATIONAL merger between United Kingdom Provident Institution and Friends Provident Life Office was formally approved this week by the policyholders of UK Provident.

Those policyholders who took the trouble to make the journey to Salisbury on Monday to attend the annual general meeting had three questions to ask: how did it happen? who was responsible? and what do we do now?

Policyholders asking these three questions—and there were several at the meeting—were voicing their hands for Friends Provident to manage their company, in particular its investments and administration, but at the same time they were wondering whether they should vote with their feet and get out of UK Provident by cashing in their policies.

They got some frank replies from the new chief executive, Mr Fred Cotton. The problem facing with-profit policyholders is that they have already had in swallow a 10 per cent cut in the interim bonus rate, and as Mr Cotton said, this reduction was just a sighting shot. The exact position will not be known until the actuarial valuation at the end of next year. UK Provident's appointed actuary, Mr Ron Bignell, could only indicate that at present financial conditions had not got any worse.

Should with-profit policyholders cash in their policies and turn to another traditional life company? If they have policies that have been in force for some time and still qualify for life assurance premium relief, then his answer was an unqualified "stay with UK Provident."

Policyholders must remember that even with this bonus cut they are not going to lose money on their contract. They just will not make as much as they once did. This advice should be followed on this.

However, for policies taken out recently which do not qualify for this relief the position is different. Mr Cotton advised such policyholders who were unsure about their contracts to talk to their insurance broker or consultant about switching to another company.

But such a switch would only make financial sense if the intermediary was prepared to forego the initial commission and provide enhanced benefits on the new contract. Mr Cotton, to his credit, did not advise policyholders to switch to Friends Provident.

For recently-affected policies, the decision is a difficult one and needs to be discussed with one's financial adviser. But one switch should be made soon or not at all.

The situation is rather different for unit-linked contracts. UK Provident only entered the unit-linked field last autumn: the launch was highly successful thanks to very generous offer terms.

However, many unit-linked policyholders, unlike their with-profit counterparts, have already voted with their feet and cashed in their contracts—some £20m being surrendered out of the original £114m from the launch (plus some money subscribed later).

The unit pricing was put on a bid basis to check this outflow and the price has remained virtually stable since. It is a reminder that it is far easier to achieve performance on unit funds when money is coming in than when investments have to be sold.

At present, it would be attractive to buy UK Provident bonds, which are still available, on a bid basis if the move to an offer basis were imminent. But if bondholders were suddenly to lose patience and surrender in droves, then the unit-linked operations of UK Provident could disappear. The combined team needs to reassure policyholders and brokers about the quality of the new investment strategy as a matter of urgency.

Mr Cotton announced that both Friends Provident and United Kingdom Provident were working on a complete re-packaging of the unit-linked operations to produce a range of products that would include both FF and UKP funds with no overlap. This is likely in the autumn.

However, many policyholders were concerned over the effective merger. Mr Philip Bayliss, senior partner of Huggill and Co, a London-based firm of chartered accountants, is endeavouring to set up a UKPI Policyholders' Council to look after their interests and to retain some control by them over UK Provident. He, his partners and many of his clients are policyholders and they could form a strong nucleus for such a council.

Perhaps it would have been better to set up such a body three months ago when the problems of UK Provident were first announced. However, what is essential now is that the new UK Provident board should keep policyholders fully informed. The need for better communication was accepted by Mr Cotton.

Margaret Hughes recounts the efforts by the timeshare market to brush up its image

Caring for sharers

SCOTLAND YARD is investigating the club membership side to timesharing and in particular its tax evasion aspects. It is also liaising with the Trading Standards divisions of various local authorities which are looking into complaints from the public over the marketing of timeshare properties, amid reports that millions of pounds have been lost by would-be purchasers of non-existent or worthless properties.

With such a spotlight turned on the more reputable side of timesharing, six of the major UK developers have got together to form a trade association with the aim of eliminating the "cowboys" and brushing up the industry's image.

While this will be late for those who have already had their fingers burnt and their pockets emptied, anyone still contemplating such a purchase would be well advised to do so only from a developer who is a member of this newly-created Timeshare Developers Group.

Of the six founder members,

who between them account for 25 per cent of the market, both in the UK and overseas, are major household names: Barratt, Wimpey, Kenning, Atlantic, European Ferries and Melbury Properties.

The sixth member, Langdale, is a smaller concern, but one whose standards of quality and resources comply with those of the others. The hope is that the group will be expanded by a dozen or so other timeshare developers who can similarly meet these standards. Based but will be those who undertake developments for sale to the British public. Companies engaged solely in the financing or marketing of timeshare properties will be excluded.

Although the group is clearly

anxious to clean up the timeshare image, not least because it affects the developers' business, it could prove to lack teeth. It is shortly to publish a booklet telling would-be purchasers what they should look for, but it does not intend to establish a code of conduct, or even any guidelines.

Speaking for the group Mr Robert Rose, managing director of Kenning Atlantic, explains this by saying: "We wouldn't want to impose criteria. If we did, it would take us years to get what we wanted." Instead the main conditions for admission to the group will be that the developer is financially sound, able to deliver a good product, and have a long-term commitment to the market. Beyond that it will rely on the

reputation of individual members rubbing off on the rest of the industry.

Timeshare developers have been criticised for their hard-sell marketing and Mr Rose concedes that there is a "fine line" between "enthusiastic" and "aggressive" marketing. But there are no plans to establish guidelines in this area either. He would only go so far as to say: "We wouldn't want anyone within the group who engaged in deceptive practices. Neither do we want those who rip off their clients."

Timesharing—where purchasers buy the right to use a villa or apartment, usually at a holiday resort, for a fixed period each year—started in the US some 15 years ago. It is estimated that a million families

worldwide now own a timeshare.

In the UK the market has only been going for some nine to 10 years, but it is a rapidly expanding one, with hundreds of developers, many of them engaged in one-off operations, bidding to market properties in such major holiday resorts as Spain and Portugal to British buyers. Between 50,000 and 60,000 UK families now own a timeshare, and this is conservatively expected to increase by another 30 per cent this year.

As the market has matured a system of exchanging rights to properties has developed alongside. This is operated by major international agencies which allow timeshare owners to exchange their right to use a home for someone else's right elsewhere. These two agencies—Resort Condominium International and Interval International—which handles over 1,500 timeshare developments worldwide, representing some 90 per cent of the market—have also joined the Timeshare Developers Group.

Cheapest cup of tea in Europe

The very best bargains can be seen at a glance in the Thomas Cook Index. Margaret Hughes picks them

THE CANARY ISLANDS are the cheapest holiday destinations in the world according to this year's Thomas Cook Cost of Holiday Living Index. This is largely because car hire rates on the islands are very competitive. If you don't intend to spend your time sightseeing by car then the Greek Islands of Corfu and Crete provide the best value for money, with dinner for two costing the equivalent of only £7.54 in Crete and £8.54 in Corfu. Cyprus, Madeira and Portugal are the most expensive destinations on offer.

Greece also scores well when it comes to buying a half litre of beer, costing the equivalent of 25p in Corfu and 38p in Crete. For the cheapest bottle of wine the

Canary Islands again come out on top, with a litre costing the equivalent of only 93p in Lanzarote. Portugal proves the most expensive at £2.44 but offers one of the cheapest cups of tea at 27p. Wine will also cost more than £2 in Madeira. Other good buys are camera film in Lanzarote at £2.27 and sunscreen in Corfu at £1.71.

The Holiday Cost of Living Index is the result of information provided by Thomas Cook's representatives in the resorts and features the most competitive prices available. The index is based on: dinner for two, including one bottle of wine each night; two cups of coffee and tea; four beers and two soft drinks each day for a week; a rail ticket; a camera; film; one bottle of sunscreen; five postcards including postage; car hire for one week at mid season rating and 20 litres of petrol.

Thomas Cook points out that prices in the Costa del Sol will fluctuate considerably between places such as Torremolinos and Marbella, and between the north and south of Tenerife.

COST OF HOLIDAY LIVING INDEX table with columns for destinations (Lanzarote, Costa del Sol, Tenerife, Madeira, Majorca, Corfu, Crete, Cyprus, Portugal, Madeira, Ibiza) and rows for various items (Dinner for two, Line of wine, Coffee, Beer, Tea, Camera film, Sun cream, Postcards & stamps, Car hire, Petrol, Weighted total).

Legal Notices section containing court orders and company announcements.

CLASSIFIED ADVERTISEMENT RATES table showing rates for Commercial & Industrial Property, Residential Property, Appointments, etc.

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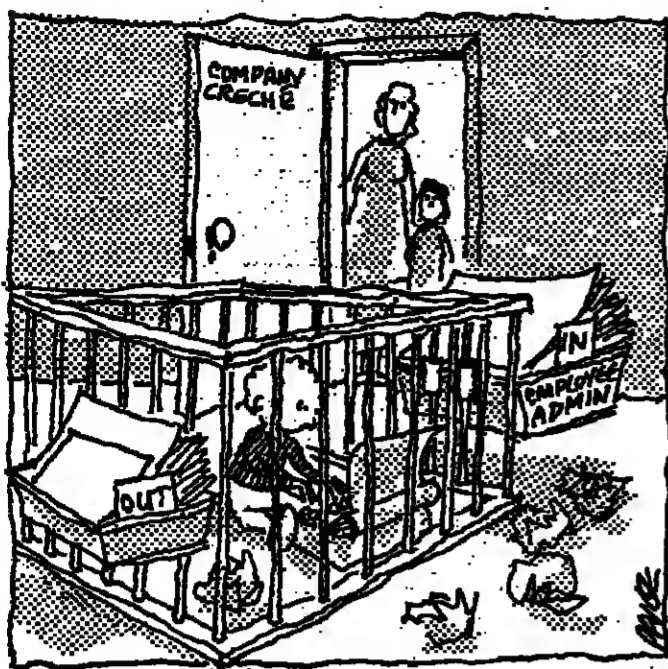
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## Maternity pay plan anger

Carrie Cliff examines Government proposals to replace the State Maternity allowance

AFTER A few months consultation with employers and other interested organisations, the Government has unveiled its proposed legislation for maternity pay and allowances.

The Government's original aim was that Statutory Maternity Allowance should replace the present State Maternity Allowance. This would create a maternity version of Statutory Sick Pay (SSP), for which employers are liable for payments to their employees.

After loud protests by employers, their associations, women's organisations and others, the Government has now introduced new clauses to the Social Security Bill, which will enable both maternity pay and the maternity allowance to be incorporated.

Ingenuously, the new benefit has been named Statutory Maternity Pay (SMP). Responsibility for payment, and therefore the administrative costs, will remain with the employer.

But employers are by no means the only victims of the changes. Tony Newton, MP, recently admitted that, because of the new rules, between 75,000 and 85,000 women will no longer qualify for maternity allowance. In contrast, only between 5,000 and 10,000 additional women will become entitled for the first time under the new scheme.

Basically, SMP will be two-tier. Either a woman will be entitled to an earnings-related payment equivalent to 90 per cent of her earnings for six weeks, followed by a flat-rate payment equivalent to the lowest rate of SSP for 12 weeks, or she will be entitled to the flat-rate payment for the total 18 week period.

In neither case will there be any additions for dependants (currently worth £18 a week). In both cases, the payment received will be liable for tax and National Insurance deductions.

Two tests will be used to determine which tier of SMP is applicable — a service and an earnings qualification.

To qualify for the higher or "earnings related" SMP tier, a woman must have worked for her employer continuously for two years which is in line with the current maternity pay provisions.

To qualify for the flat-rate SMP tier, she must have worked for the same employer for six months immediately before she stops work which is at total variance with the current maternity allowance provisions.

At present, a woman has only to have paid National Insurance contributions for 25 weeks in the financial year preceding that in which she is claiming benefit. There is no requirement that she has worked for the same employer or that she should have actually worked for a specific time.

A further drawback is that a woman must have worked with the same employer for the six months immediately preceding the 14th week from the expected date of confinement and not the 11th week which currently applies for maternity pay.

The same applies to the earnings qualification for SMP. In other respects though the earnings qualification are on a par with those which apply now to SSP — a woman must have been earning at or above the lower limit for National Insurance contributions and women who opt to pay the reduced rate of contributions will be eligible for SMP.

The proposed new scheme does offer one piece of good news for those pregnant women who will be able to qualify for SMP. The new provisions will allow a degree of flexibility in deciding when to take advantage of the 18 week SMP entitlement.

There will be a 13 week core period, starting six weeks before the baby is due, but it will be up to the woman to decide when to use the remaining five weeks entitlement — before, after, or some before and some after, the birth date.

It is important to note though that if the woman works during any part of the core period, she will lose a corresponding amount of her flat-rate entitlement.

And for those women who do not qualify for SMP, the DHSS will retain responsibility for a residual state maternity allowance. This will be paid at the same rate as for the prevailing rate of sickness benefit, which is lower than that for the prevailing SSP flat-rate.

To qualify, a woman must have been employed, or self-employed, and paid full National Insurance contributions for at least 26 out of the 52 weeks preceding the 14th week before the baby is due. The same core period and flexible five weeks will apply as for SMP.

Employers' indignation at having further administration costs thrust on them is quite justified. Many are already liable for operating maternity pay schemes; most are liable for SSP — a responsibility which has recently been extended from the first eight to the first 23 weeks of an employee's sickness absence.

The Government has been keen to publicise its intention to "lift the burden" on businesses, but Norman Fowler's proposal that the new Family Credit (which will replace Family Income Supplement) should be paid through the wage packet — and therefore administered by employers — is also still lurking in the background.

Thus, while women already in employment could lose out, as confirmed by Tony Newton, others of child-bearing age, applying for jobs now may experience a degree of unfair scepticism and resistance from employers concerned at reducing their costs.

Is it possible for me to offset the costs of psychoanalysis against tax on the grounds that I need the analysis to carry out my job. I know that it is possible to do this for self-employed people working in the therapeutic field as I am. It seems, as far as I can find out, possible to do this when one is not self-employed but I have not been able to find any facts other than it seems to be up to the discretion of the individual tax inspector. I am a social worker on a busy cardiology ward of a hospital. My work with the children admitted for tests, treatment and major complex surgery is frequently harrowing and extremely distressing. Many of the children suffer from life threatening disease and many I meet in my work eventually die. My work includes bereavement counselling and psychotherapeutic family work.

I think it would be extremely difficult, if not impossible, to manage the psychotherapeutic part of the work adequately without this additional analytical input. Without the support the work stress would express itself as illness, as it did before I started analysis. I think I can in all honesty say that I could not do the job satisfactorily without this input. An additional advantage of the analysis is the learning factor — is this training aspect of it also something which is relevant?

We are sorry to say that the answer is no. The schedule E expenses rule (in section 188 of the Income and Corporation Taxes Act 1970) is notoriously narrow. It is designed for administrative convenience, and

makes no pretensions to equity. "If the holder of an office or employment is necessarily obliged to incur and defray out of the emoluments thereof the expenses:

a) of travelling in the performance of the duties of the office or employment, or  
b) of keeping and maintaining a horse to enable him to perform the same.

or otherwise to expend money wholly, exclusively and necessarily in the performance of the said duties, there may be deducted from the emoluments to be assessed the expenses so necessarily incurred and defrayed."

Your expenditure is to enable you to perform your duties; as it is not incurred in the performance of those duties, it is not allowable.

## Codicil changes

My wife and I have made similar wills leaving everything to the survivor or if one of us is already dead to our only daughter.

Later we made codicils reading "I give to my daughter — absolutely a sum of money equal to the threshold for the payment of capital transfer tax current at the date of my death." Since CTT is to be replaced by Inheritance Tax will it be necessary to make revised codicils and if so when?

# No tax therapy

It would be wiser to execute a fresh codicil in which you use the same formula but insert after "Capital Transfer Tax" the words "or Inheritance Tax" as the case may require."

## Travel cost mistake

Since 1974 I have owned a holiday home run by a management company who do the letting, supervision, etc.

Each year of ownership I have claimed car travelling allowance for tax purposes travelling from home to the camp on occasions during each year to check on what is going on, i.e. a superintendence allowance. All owners at the site were told to do this by an association of owners to which I belonged.

The tax people now say this was a mistake, the allowance should not have been given in the past and cannot be allowed for 1985 and in future.

The Inland Revenue takes the view that the cost of travelling to inspect let property is not allowable under the rules of schedule A or schedule D case V or VI — any more than the cost of travelling to shareholders's meetings is deductible from dividends under the rules of schedule F or of schedule D case V. This is a point which has been mentioned in our published replies over the year.

but you must have missed them.

Presumably, however, your case VI computations have been based upon case I principles for 1982-83 onwards, by virtue of paragraph 3 of schedule 11 to the Finance Act 1984 (which took effect retroactively). If you are indeed eligible for the beneficial treatment given to certain furnished holiday letting by section 50 of the Finance Act 1984, then your travelling expenses may be allowable under the rules of case I. We suggest that you spend a quarter of an hour or so in a local reference library, looking up the 1984 provisions for furnished holiday lettings in the British Tax Encyclopedia or Simon's Taxes, for example.

## Indexation allowance

I should be grateful if you would let me know how to calculate the above allowance in following circumstances: 100 shares purchased 1979 cost £100. Scrip issue 1: 1 in 1980 total holding now 200 shares. Scrip issue 2: 1 in 1982 total holding now 400 shares. Scrip issue 3: 1 in 1984 total holding now 800 shares. Total holding sold March 1986 for £1,000. I assume indexation allowance is calculated at March 31 1982 value on 200 shares. How will the subsequent scrip issues affect the calculations.



No doubt Exel and Stinhs Taxation service will be issuing details of all share prices at March 31 1982 as well as details of the factor for calculating the allowance.

Assuming that the March 31 1982 (quarter-up) market value was 70p a share, and that last month's RPI was 381.5, the chargeable gain would be £1,000 — £100 — 21.7 per cent of £140 = £88.9.

## CGT on shares

I have noticed from time to time in the Briefcase column and in some FT articles that on death there is no liability for Capital Gains Tax on Stocks, Shares etc held at date of death and that whoever inherits those stocks, shares etc takes them at Probate Value for CGT reckonings of "cost". Where there are holdings in joint names, say husband and wife, and one of them dies — what is the position regarding "cost" for Capital Gains Tax for the survivor? (The survivor having become the sole holder).

The deceased's 50 per cent interest in each share is deemed to be acquired by the survivor at market value on the day of the deceased's death.

## Double relief

My taxable income last year consisted entirely of dividends, half from the US, and all 30 per cent tax paid, with appropriate tax certificates. I am entitled to single age allowance, and expected a refund of 30 per cent of £2,690.

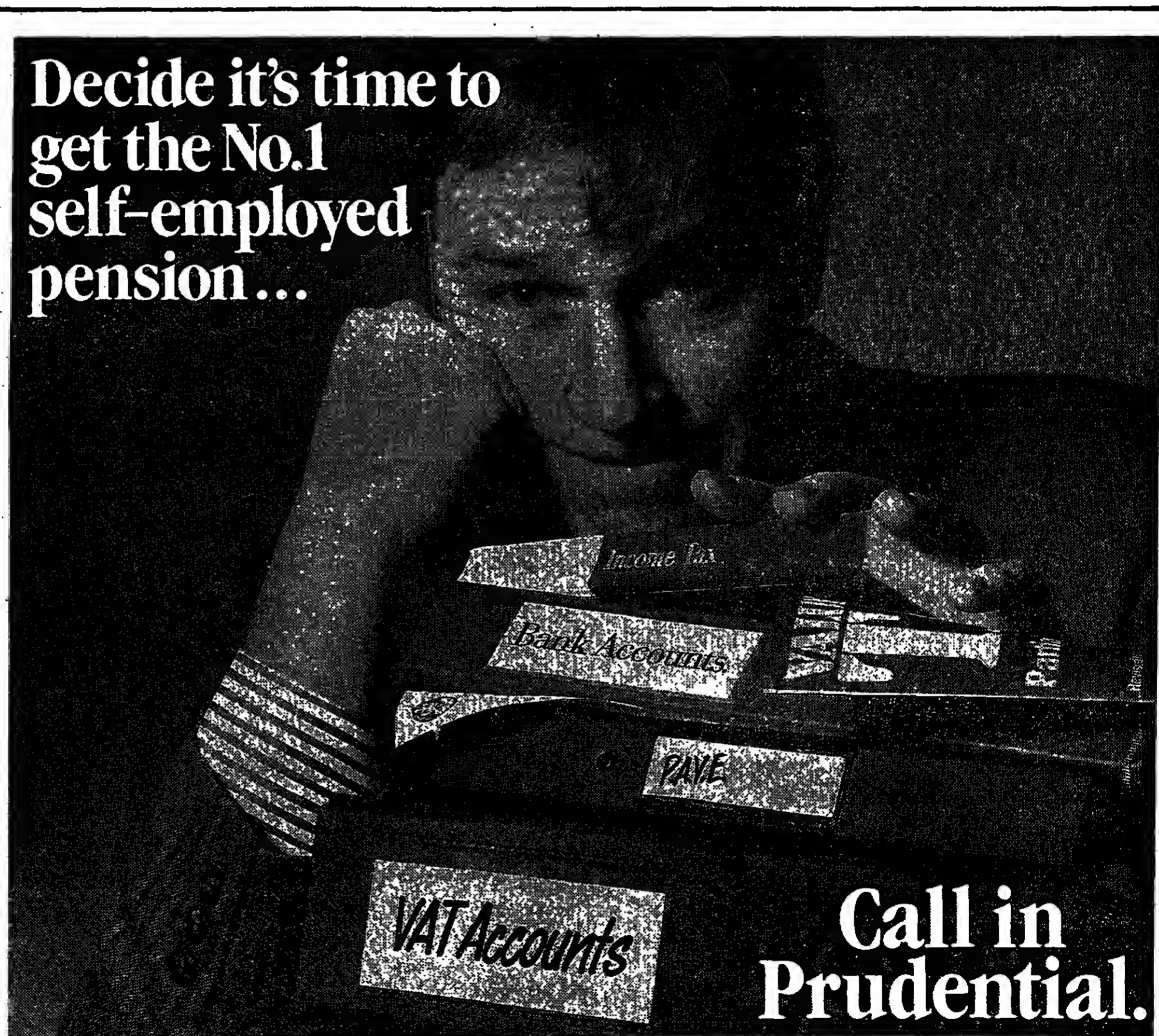
The tax inspector, by deducting £2,690 from the gross and disallowing the 15 per cent US tax, effectively levied £454 tax on my age allowance.

This looks crooked to me, but can he possibly be right? The inspector has simply forgotten to give you double taxation relief. Go back to him and ask for the rest of the money he owes you. If by chance he demurs, please let us have a detailed list of your dividends from abroad, so that we can be quite sure that the refund due is as follows:

Total income	2,207.37
Age allowance	2,690
Tax payable at 30% on	£5,517.37 = 1,655.2
Tax credit relief due	478.3
1985-86 tax bill	1,176.8
Tax deducted at source	1,983.8
Refund due at 30% on £2,690	807.0
Refund made by the inspector	328.7
Balance of refund still due	£ 478.2

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered as soon as possible.

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## Headlam, Sims & Coggins P.L.C.

### Increased Profits

Extracts from the Statement by the Chairman, Mr. Alec Coggins.

Following a better year, the results show a small increase in trading profit, but the most significant improvement is in the profit level after taxation which is £28,509 as opposed to a loss of £108,805.

	Year Ended 31/01/1986	Year Ended 31/01/1985
Group Turnover	£7,202,875	£7,718,552
Profit/(Loss) before taxation	10,448	(108,805)
Taxation	(18,081)	—
Extraordinary item	36,328	—
Ordinary dividend — 0.5p per share (1985 — 1.0p)	(20,417)	(40,833)
Earnings Per Share	0.53p	NIL

### DIVIDENDS

In view of the improved outlook, the payment of a dividend at the rate of 0.5p per ordinary share is being made.

### OUTLOOK

Progress has already been made in reducing the losses of Carter Pocock Ltd. and the steps taken on 1st February, 1988 are already producing results.

The major difficulties experienced after the acquisition of Carter Pocock Ltd. seem to be behind us and it is confidently expected that the Group profits can now begin to return to a satisfactory level.

## WEEKEND FT REPORT

## GIBRALTAR

Opening of the border between Spain and Gibraltar has eroded the siege mentality of the colony and helped both sides to pull out of a prolonged recession

## Hopes of a boom now the barriers are down

LIKE PEOPLE emerging from a dark room into daylight, the Gibraltarians are rubbing their eyes, incredulous that their future could be promising. Though they are loath to admit it, the open frontier with Spain has ceased to be an experiment. It has become a fact of life; and rather an agreeable one at that. The siege mentality fostered by Spain's closure of the border from 1969 to 1982, has been eroded. To the surprise of all, an open border has not produced creeping annexation of Gibraltarian life by Spanish habits or Spanish culture. On the contrary, both Gibraltarians and the neighbouring Campo area in Spain have begun to pull out from a prolonged recession as a result of the full border opening in February 1985.

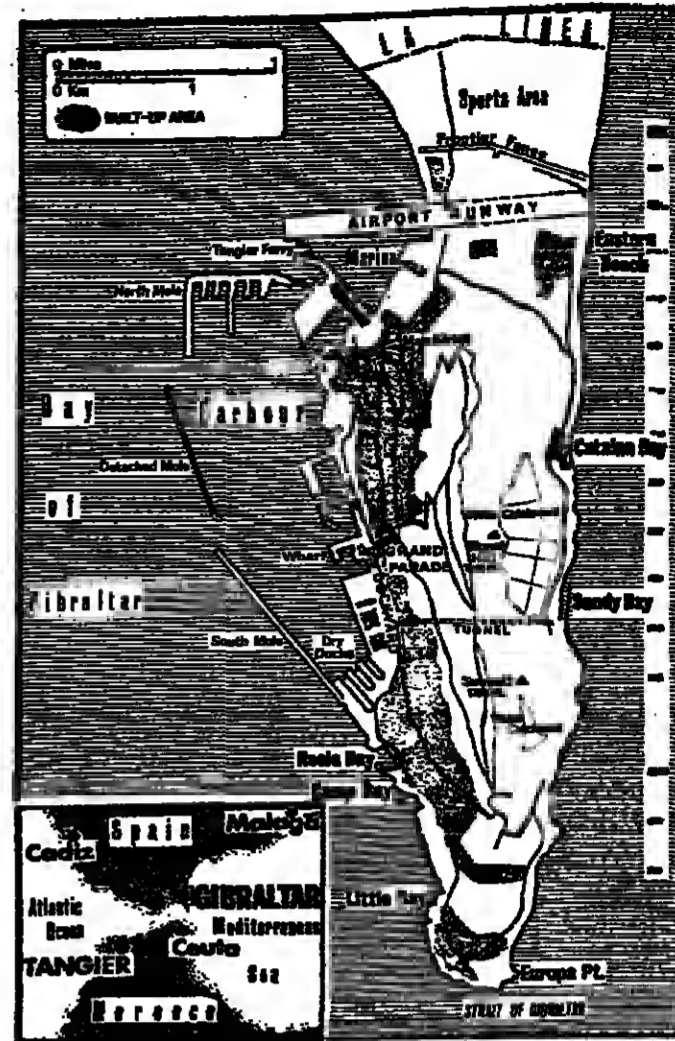
The business community is reluctant to talk of a boom; yet anyone who knew Gibraltar during the "siege years" and who visits the Rock today can only marvel at the change both in appearances and in modes of thinking. The mere fact that Gibraltarians can escape the claustrophobic confines of the Rock has produced the single biggest change in habits and mentality. People can now drive across to Spain just to purchase cheap fruit and vegetables. Weekend trips to Spanish beaches are a practical proposition, instead of the old triangular journey across the straits to Tangier and then back into Spain. The wealthy have invested heavily in second homes in Spain, pushing up local property prices; and even ordinary people have caravans parked on the other side. Having ignored Spain for so long it is little short of a cultural shock for Gibraltarians to be confronted with road signs on the Rock pointing to Spain. Old commercial ties have been renewed and fresh ones forged as the trade embargo, never very thoroughly enforced, has vanished. Contracts have even been placed with Spanish construction companies. The influx of tourists has also helped to end the sense of isolation. When the border was first re-opened in December 1982 by the Socialist Government of Mr Felipe Gonzalez, only Gibraltarians and Spaniards were allowed to cross on foot. With the full opening of the

border last year the number of land visitors rose from 46,500 to 2.2m, leading inevitably to some formidable traffic problems. "There is a completely new chemistry at work," Mr Joe Gaggero, head of the largest local business empire, the Bland Group, says. Mr Gaggero talks optimistically of Gibraltar becoming the shopping centre of the Western Mediterranean. The diplomatic basis on which these changes have occurred is the Brussels Agreement of November 27 1984. This was a document laboriously hammered out by the British Foreign Secretary Sir Geoffrey Howe and his Spanish counterpart, Mr Fernando Moran, in consultation with the Chief Minister, Sir Joshua Hassan. The Agreement was the result of Britain and Spain realising it was in their best interests to achieve a breakthrough on the immediate issue of border restrictions and on the broader long-term question of sovereignty to the Rock before Spain joined the European Community in 1985. The EEG Commission had made it clear that Spain as a Community member could not

retain the border restrictions. It was seen to be in all parties' interests that these restrictions be removed in advance by mutual consent. The key passage in the Brussels Agreement commits Britain and Spain "to establish a negotiating process aimed at overcoming all the differences between them over Gibraltar and at promoting co-operation on economic, cultural, touristic, aviation, military and environmental matters." The two sides further accepted that "the issue of sovereignty will be discussed in that process." Such explicit reference to sovereignty was an important concession by Britain. The previous attempt to remove border restrictions failed because the issue of sovereignty to the Rock was left far too ambivalent. In the Lisbon Declaration of April 1980, the British Government insisted on only an indirect mention of Spain's claim to sovereignty, saying that Britain was willing to overcome "all the differences" with Spain. While the wording of the Brussels Agreement is thus

considerably more concrete, there are differences of interpretation. The British Government clearly wants to steer Gibraltar towards a new, harmonious and "mutually beneficial" relationship with Spain—even if in the steering there is a specific undertaking to do nothing against the express wish of the Gibraltarians. The Spanish Government regards the Agreement as the beginning of a long process whereby at least part of its historic claim to the Rock, signed away by the Treaty of Utrecht in 1713, is satisfied. The Gibraltarians are naturally concerned that their interests might be steam-rollered by the broader interests of Anglo-Spanish relations. Sir Joshua Hassan issued a statement after the Agreement expressing his reservations over the commitment to discuss sovereignty. He still retains this reservation and draws attention to that part of the Agreement in which Britain will "honour the wishes of the people of Gibraltar in the preamble of the 1989 Constitution."

Gibraltar's town centre showing Governor's Parade and St Andrew's Presbyterian Church



This has been more than compensated for by the huge upsurge in tourism and investment on the Rock. Some £25m worth of projects are underway and in the past year the private sector has generated 600 jobs—a significant quantity in a workforce of 11,200 split 60/40 between the public and private sector. Increased activity is not just restricted to the duty free merchants on Main Street. Assets of the banking system have increased sharply, reflecting both increased turnover from tourism and greater use by Costa del Sol residents of Gibraltar's offshore facilities. In three years the banking systems' assets have risen from £12m to £24m.

The Chamber of Commerce plays down talk of a boom; and it is true that prosperity is not filtering throughout the economy, especially the public sector which depends upon the Gibraltar Government revenues and a thrift-conscious Ministry of Defence. Nevertheless, Gibraltarians do not wish to give Spain the impression that they are the chief beneficiaries of an open border. Nor for that matter do they want the British Government to believe there is sufficient prosperity to merit a cut in aid.

Complicating the agreement are three other matters. Britain and Spain are in the process of renegotiating their air services agreement at a national level. More importantly, Spain lays claim to the airport, separate to the original claim to the Rock, arguing it was illegally built on an isthmus, never part of Gibraltar proper. Britain rejects this claim but realises Spain would like to use the airport issue as a means of pressing forward its sovereignty claim. Finally, the airport is run by the Ministry of Defence, doubling as a British airbase. Spain still imposes restrictions on military flights; and any airport agreement would mean an arrangement between Britain and Spain over its military use. In theory, this should not be so problematical now Spain is to remain inside the NATO alliance. But the Spanish military establishment has traditionally been the most fiercely nationalist element pressing the sovereignty issue. "The airport is the real test of confidence building," Sir Joshua says. Negotiations should resume shortly, in the wake of the Spanish general election, and the re-election of the Gonzalez Government is

towards dependence upon services. The speed and scale on which this happens hinges in good measure upon the status of Gibraltar's airport. Flights are at present constrained by the smallness of the runway and the absence of air services agreement with Spain. An enlarged airport with both more international flights and new feeder routes, such as to Seville, is seen as the key to Gibraltar's future development. Nothing, however, can be done without the agreement of the Spanish Government. Since the airport would be as much if not more for passengers with Spanish destinations the Gonzalez Government wants to allow direct access to Spain.

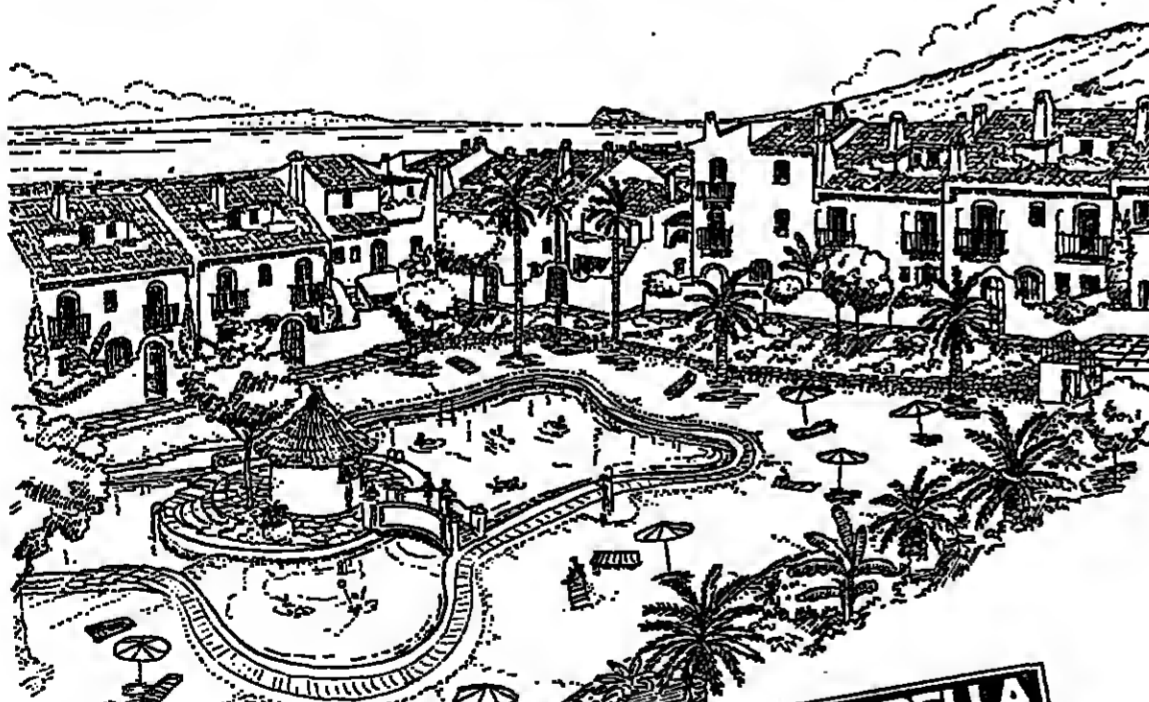
This raises the question of whether one or two terminals should be built. Gibraltarians are pressing for one terminal in the belief that two terminals would mean tourist revenues lost to Spain (car hire, duty free etc.).

One practical step which the Gibraltarians are being quietly urged to accept is an agreement on electricity and water supplies from Spain. Spain can supply both infinitely cheaper and with much greater convenience. The objections are purely political. Gibraltarians do not wish to be dependent upon Spain for essential services. But this objection wears thin when Spain has consolidated its democracy and is a member of the EEC.

Sooner or later Gibraltarians will have to make a clear decision whether or not they really wish to accept closer co-operation with Spain and its consequences. Prejudice one way, common sense the other.

Robert Graham

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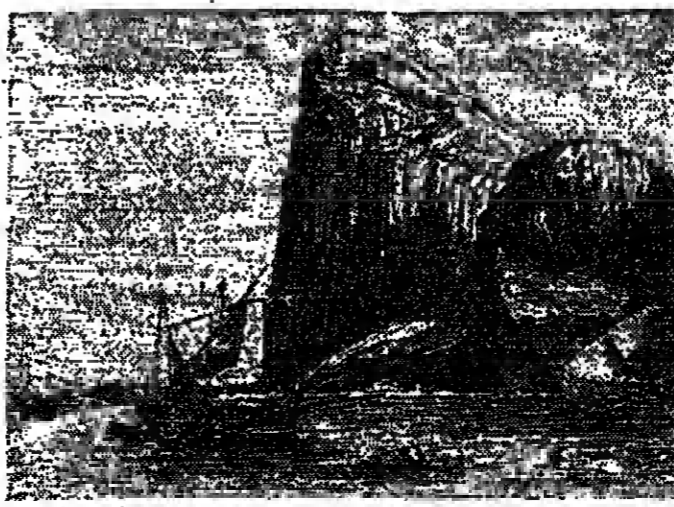
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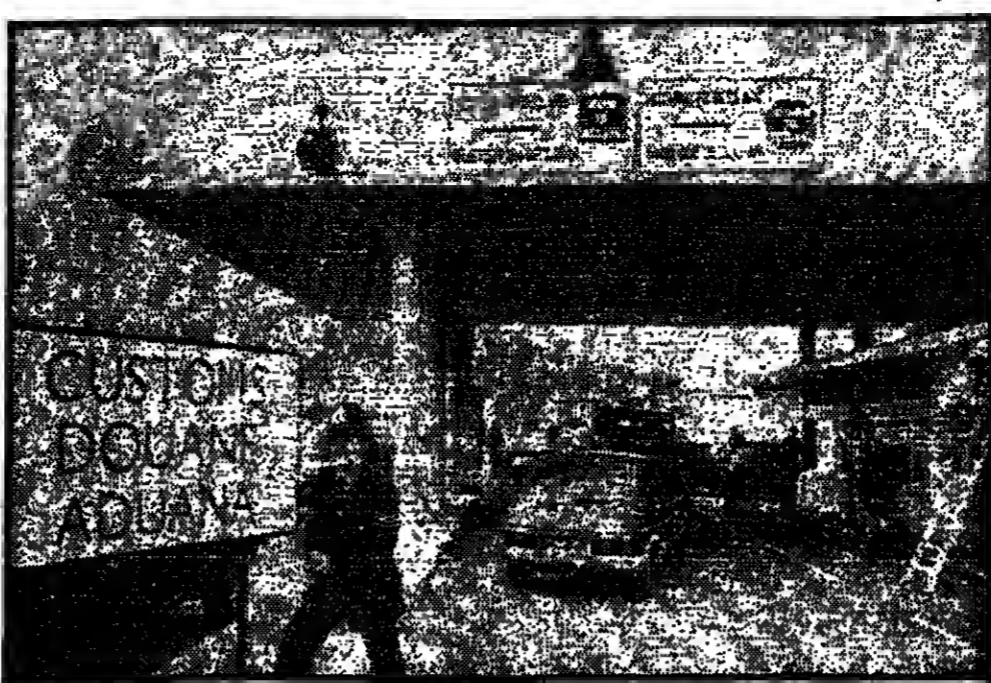
ADDRESS: .....

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\*Delete where appropriate

Self in 10

## WEEKEND FT REPORT



Since Spain lifted its restrictions on cross-frontier traffic shops along Main Street have flourished. Right: traffic on the border with Spain

## The Economy

## Tourism is the main pillar

THE scaffolding put up along Main Street tells the story of Gibraltar's mood a year and a half after the opening of the frontier with Spain. The place is getting spruced up.

Forecasts of doom, of a small British colony swamped by its vast foreign neighbour, have not been fulfilled.

"We thought the negative impact would come first and benefits would be long-term. We were all wrong," says Mr Joe Bossano, the Socialist opposition leader.

Since Spain lifted its restrictions on cross-frontier traffic in February last year, tourism and commerce—from the hotels serving tea in the afternoon to Main Street's Indian bazaars—have flourished.

The number of visitors quadrupled to 2.4m last year, a far cry from the "siege years" from 1969 to 1982, when, with the land frontier completely closed, only between 100,000 and 200,000 people a year went to Gibraltar. According to first-quarter figures, the number of arrivals has continued to increase this year.

Along with the tourism has come a rapid expansion in the banking, financial services and offshore company sector. Linked to the access the colony now has to the expatriate British community in southern Spain and Portugal, this has become the biggest growth area for jobs.

Gibraltar has long had a Government-sector economy symbolised by the large blue "tender box" at the entrance to the Treasury Building, under a portrait of the Queen. It has a slot in the top where applicants for public contracts are invited to place their bids.

But the private sector's contribution to the economic product, which had sunk to around 25-30 per cent, has risen to about 45 per cent. In a society created by people who came from all over the Mediterranean to make their livelihood mainly from the Royal Navy, this is

something of a revolutionary change.

Only 10 years ago the UK Ministry of Defence alone accounted either directly or indirectly for about half of Gibraltar's economic activity. Local government services took a large share of the rest.

Now British defence activity makes up only about 30 per cent of the economy and employs a quarter of the civilian working population of around 11,000. The Navy base is still important, but the former Navy dockyard, operating since last year as a privately-managed ship-repair company under Gibraltar Government ownership, and with start-up aid from the UK, is due for a fresh study and could be replanned on a smaller scale.

"It was thought of as the only certain development in what was then a siege economy," says Mr Brian Traynor, the Financial and Development Secretary who is one of the Whitehall nominees in the Gibraltar government and the man who signs his name on Gibraltar pound notes.

Plans were for 1,200 jobs. Now, with 800 working at the yard, the extra jobs are no longer needed. What Mr Traynor describes as "something of a boom" has eclipsed the depression in the state sector. Fears of unemployment have vanished.

"We did not expect the growth of jobs that took place," says Mr Bossano. Although several hundred Spaniards have

## Government expenditure

Item	1983-84 actual	1984-85 revised estimate	1985-86 approved estimate
Social services	13.4	14.2	15.0
Municipal services	8.4	8.6	8.8
Public works	10.6	9.9	8.2
Administration	5.1	4.9	5.2
Justice, law and order	3.1	3.3	3.4
Public debt charges	4.0	4.9	5.5
Contribution to funded services	2.7	4.2	4.3
Miscellaneous	7.6	7.4	10.5
Total	55.3	56.6	61.5

Note: Figures have been rounded to the nearest million, therefore they do not necessarily add up to the total.

\* Includes contribution of £1.5m to I. & D. Fund.

† Includes provision of £1m for 1984 pay settlement. This amount is later reallocated under the respective individual item.

Source: Government statistics.

taken jobs in Gibraltar since the frontier reopened, he is less alarmed than before about labour competition—especially after finding solid support from the Spanish contingent for his Transport and General Workers' Union.

The invasion by Spanish businessmen which Mr Bossano forecast has also failed to occur. He says he underestimated the barriers of bureaucracy and language, for although Gibraltarians speak Spanish as a first language contract tenders have to be in English. "Gibraltar is as closed with an open frontier as it was with a closed frontier."

A Spanish construction company, Dragados y Construcción, has landed its first big contract for a residential

development. Imports from Spain have risen sharply, taking second place last year for the first time.

Imports from Britain were still about five times greater, but Mr Traynor expects this ratio to change considerably this year—even without counting the shopping-bag imports by Gibraltar housewives who buy their groceries in the nearest Spanish hypermarket.

The frontier opening has worked in both directions. Disregarding the fact that they have no space to park them, Gibraltarians have rushed to buy cars (new registrations doubled last year). People who already had cars with five gears are finding out on Spanish roads what they are for.

Everyone is concentrating on moving up-market. Some Navy installations are due to be cleared next year to make way for a \$37m hotel, club and villa development planned by Taylor Woodrow. UK and Arab interests have been contemplating an even more ambitious project on the eastern side of the Rock—a hotel, casino and marina on reclaimed land, involving an investment of some £100m.

Low-duty shops are starting to follow the trend by stocking up with more sophisticated articles. "I'm very excited," says Mr Solomon Seruya, showing off the lighting effect in his ceiling perfume store on Main Street. "There's nothing like this in Bond Street or the Rue Saint-Honoré."

Mr Seruya, who heads the Chamber of Commerce, wants to see Gibraltar become "the shopping centre of the Western Mediterranean."

Business ambitions have caused some disquiet, however. Will Gibraltar become a refuge for wealthy outsiders, with property becoming so expensive that the Gibraltarians themselves will be forced to seek accommodation in Spain, as hundreds have already done in recent months?

Mr Bossano, for one, is determined to stop this happening and is worried about the new emphasis in the Rock's economy. "Since the frontier reopened our worst fears have not materialised but the propagandists' expectations of the boom have not materialised either," he says.

Can tourism and the new service trades keep Gibraltar afloat? The government thinks they can—provided the growth continues," says Mr Traynor.

David White  
Madrid Correspondent

## Offshore Banking

## Firm base for expansion

GREATER CONFIDENCE and increased interest in Gibraltar's role as a finance centre has come in tandem with the improvement in relations with Spain which flowed from the lifting of the Spanish restrictions on the Rock and the opening of the land frontier 18 months ago.

The return to normalcy has generated greater activity for two main reasons: in the first place, the thousands of expatriates along Spain's Costa del Sol provide Gibraltar with a ready-made market on its very doorstep; and secondly, international institutions are taking a closer look at what Gibraltar has to offer now that the political baroque has subsided.

Gibraltar's brass-plate legislation finds its roots in the 1960s, but because progress has been slow, the Rock has been overtaken even by late-starters. There are still under 2,000 companies benefiting from tax-exempt status. By comparison with others, Gibraltar is still

small fry. It is like Jersey in its early days.

Under the offshore legislation, companies can enjoy tax and estate duty concessions upon the payment of an annual flat fee of £200 or £225, depending on whether the company is resident or non-resident. There is no capital transfer tax. The Government is also eager to attract offshore banks of international repute.

Domestic banking is another matter. Throughout the years of blockade the Government was naturally reluctant to allow money banking activity in a receding economy for fear that, in general terms, the net result would be the sharing of the same cake by more banks. Now, a new strategy is evolving and as many as six new banks from the United States, Scandinavia, Switzerland and Spain are certain to be allowed to set up in business. They are expected to be "phased in," to quote a Government official.

Lloyds is the first of the big

British banks to open up in Gibraltar since the 19th century. Hambros has also been awarded a domestic licence, whilst the Bank of Commerce and Credit and the United Bank of Gibraltar were able to move into the local scene by acquiring already established banks.

For the first time, Spanish banks are also on the cards to open offices next year. They do not wish to miss the opportunities arising from increased business between Spain and the Rock.

Barclays, with three branches, maintains the biggest presence in the banking scene, where the Dutch Algemeene Bank, the French Banque de Indosuez and the locally-owned Galliano's, complete the "high street" banking picture.

"Slowly we are getting an international presence," says Brian Traynor, Financial Secretary. "But we are anxious to preserve our good reputation as a solid, respectable finance centre."

Leading UK building societies are awaiting changes to British legislation that will allow them to set up on the Rock, after conforming with local legislation. This is seen as a new growth area. The authorities are not too keen in allowing building societies to set up as banks, solely to take

deposits—they want the societies to lead as well, in this way participating in the growing mortgage business that is developing.

"We do not want to see the siphoning off of local cash," says an official.

There is continuing interest from insurance companies wanting to establish themselves here with an eye on the international reinsurance market. Antiquated insurance legislation has been found to be inadequate to cope with the developing situation and new legislation is to be introduced. It will contain provisions to enable Gibraltar to retain and indeed expand its captive and offshore insurance business. An insurance expert said that banking supervision had attracted more banks and he saw a similar response to the introduction of greater insurance supervision.

Professionals in the finance centre sector would certainly like to see the Government responding more quickly to the changing situation, making whatever changes are necessary to out-dated legislation, to ensure that the Rock is not hampered in surging forward with greater impetus now that the opportunities are there.

Given Gibraltar's shortage of

## Commercial banks' assets

	Balance due by other banks	Loans and advances	Investments	Other assets	Total assets
1980	0.9	59.9	28.5	7.8	107.7
1981	1.1	59.4	35.2	9.0	124.4
1982	1.7	78.0	34.3	10.6	142.1
1983	1.8	96.3	42.5	11.4	162.0
1984	2.1	142.9	55.2	11.5	208.4
1985	1.9	153.5	66.2	12.8	224.2

Note: (1) Figures are as December 31 of each year. Figures have been rounded up to the nearest million, therefore totals do not necessarily add up.

(2) Figures for 1985 are as at September.

Source: Government statistics.

land, and the pressure on office space, the offshore business is potentially the best avenue to follow in search of the long-term development of the economy. This is a high-cost structure economy, with pressure on the labour market, and high municipal charges, rents and rates.

Like the fish and chips sold on the Rock, this is a truly British finance centre in continental Europe.

The Governor, as the British Government's representative, is responsible under the constitution for Gibraltar's economic and financial stability. Its professional people, such as lawyers, bankers and accountants, are largely UK-trained and operate under a legal system based on English common law. Company law is based almost entirely on the Companies Act 1929 in England.

The only grey clouds threatening the clear skies of this

finance centre are descending from Brussels, where EEC directives are churned out for compliance by all, whether big or small.

The British Government has not been prepared to negotiate a special status for Gibraltar within the EEC and, as such, the optimism that permeates finance centre professionals in at the same time engulfed in the uncertainty and confusion emanating from the EEC's particular perception of finance centre activities in a Community context.

One point of consolation for Gibraltar is that Luxembourg has not been impeded in developing a financial services base.

"If Luxembourg can do it, why can't we?"—that is the cry from this chunk of 24 square miles of European rock at the entrance to the Mediterranean.

Joe Garcia

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A THOROUGHRED AMONGST BANKS.

MR JOE BOSSANO, the opposition leader in the Gibraltar Assembly and the local head of the Transport and General Workers Union, happened to be speaking English when he neatly summed up a dilemma: "When I speak in English everyone knows I am not English and when I speak in Spanish nobody knows I am not a Spaniard."

Had he been speaking in Spanish, which he speaks with the same fluency as he does English, most Spaniards would, noting his accent, have taken him to be a native of Andalusia. Only those Spaniards who live in Spain's southern region would have known by his speech that he is a "Llanito"—a Gibraltarian.

It is Mr Bossano, whose forebears on the Rock were a mix of Mediterranean cultures, who speaks only half in jest, of the Gibraltarian as being "an endangered species." He, and others, fear an absorption by Spain by a process of "osmosis"—a buzz word among those who have thought through the long-term future for the colony.

The Gibraltarian has viewed Spain with suspicion for the past 250 years. The "Llanito" heroes are the engineers and artillery men who ensured resistance against Spanish sieges. Certainly the best view of Spain from Gibraltar is down the barrel of a gun, from an emplacement in the galleries hewn high above ground, into the Rock.

What Mr Bossano really fears is that "osmosis" is actively encouraged by a British Government that would be perfectly happy to have Spain "win the minds and hearts of the Gibraltarians" and thus be freed of the Gibraltar problem.

Earlier this year the identity problem was forcefully put across in a television documentary co-produced by the Gibraltar Broadcasting Corporation and by an independent production company which was called The Rock of Ages. Its premiere caused something of a sensation for the film had the local population asking bluntly and aloud "who exactly are we, we Gibraltarians, clothing like limpets to a rock."

A first time visitor to the Rock, from Madrid or from London, is immediately struck by what can only be described as an extraordinary cultural muddle. The inevitable first



surprise is that the "bobby" at the custom's post may look like Dixon of Dock Green but he is almost certainly speaking Spanish—or Andalusian in the Madrilenian perception. If a Londoner is struck by the "Spanishness" of an unburied life-style the Madrilenian is amazed by the spit and polished gleam on the boots of the battalion in residence. There is southern European litter on the streets and people speak, in Spanish at the top of their heads but what is old is truly Empire and out of Midshipman Hornblower.

The Trafalgar cemetery is a mini-version as the old one at Highgate for it is just as overgrown and evocative. There are October 1804 graves of men who died of "malignant fever" and others of those who died from wounds suffered during Nelson's victory a year later.

One, 1810, gravestone informs the visitor that there lie buried

two lieutenants who were killed by the same shot and who were "the brightest ornaments of their corps."

The Governor lives in a building called the Convent because it was one until Britain took the place over in 1713 and the pub across the road is suitably called The Anchor. They serve English beer but there are no licensing hours. Day-long drinking won't surprise the Madrilenian but he will find it odd that the olive oil sold in the Gib supermarket comes from Italy and that mineral water is imported from Sweden.

Nobody could fail to be impressed by an example of Kipling's guard room graffiti that may well date from the Spanish war of succession and which is now written in on a plaque by one of the huge gates of the old walled town: "God and the soldier all men adore"

## The Gibraltarians

# In search of an identity



Sir Joshua Hassan, Chief Minister of Gibraltar and (right) Mr Joe Bossano, opposition leader. Left: the familiar uniform of a policeman but the language is unfamiliar

Visitor arrivals	By air	By sea	By land	Total
1981	47,528	84,845	—	132,373
1980	51,935	102,721	—	154,656
1982	46,180	81,063	46,395*	173,638
1983	45,365	93,456	643,609	782,430
1984	47,813	88,654	477,371	603,838
1985	73,664	77,703	2,260,039*	2,411,406

\* Land frontier with Spain opened on December 15 1982 for pedestrians only and on a restricted basis.  
\* Normalisation at the land frontier with effect from February 5 1985.

Source: Immigration Office

In time of trouble and no more. For when war is over and all things righted and the old soldier slighted."

At the boys' comprehensive which is close to the airport and the border with Spain, there is more usual graffiti: "Manchester United. The first British team to win the European Cup." Someone in the know has scribbled underneath: "No Liverpool." The oddity is that the boys are as familiar, or more, with the players of Real Madrid.

The children in Gibraltar are taught an English syllabus in English but they speak Spanish at home, which enables them all to pass O-level Spanish. With the border closed through the lifetime of present-day teenagers, they scarcely know that Spain exists beyond its football teams.

The school library has virtually no Spanish books and

camping outings are arranged in Morocco. The school is beginning to arrange sporting events in Spain which, as one teacher put it, are "pretty much international fixtures."

The students in Gibraltar learn about the Wars of the Roses in a land that few have visited but are ignorant about the Islamic waves that crossed into Spain, via the Rock, in the eighth century, starting with one Tariq Ibn Ziyad who earned commerciality of a sort, for Gibraltar is derived from Dajabal Tarik, Tarik's mountain.

Learning, just as much as living, in Gibraltar is somewhat like existing in a vacuum. There are a handful of schools of wealthy Gibraltarians who are educated at Catholic public schools in England and undoubtedly integrate perfectly in the upper echelons of British society, but should those who are not wealthy arrive in

England from the Rock looking for a job they could find it as hostile as could an immigrant from Cyprus, Malta or Spain itself.

Across the border in the Spanish hinterland there is far less agitation about identity problems and "osmosis." Antonio Diaz Lara, the Mayor of La Linea, is a bearded young Socialist who almost feels sorry for the Gibraltarians. "When they come over here they are always asking the price of everything. There was a time when they would get in a bar and order platefuls of mariscos (shellfish) before they even got down," was one comment about his neighbours on the Rock.

In San Roque, a bit further back from La Linea and once a new town built by the Spaniards on the Rock fleeing the British invaders, Mayor Eduardo Gil Lopez adopts the same patronising tone. "Once we had an inferiority complex about the 'Llanitos' but not any more. The girls when they come over look very old-fashioned. You can tell where they come from by their hairstyles."

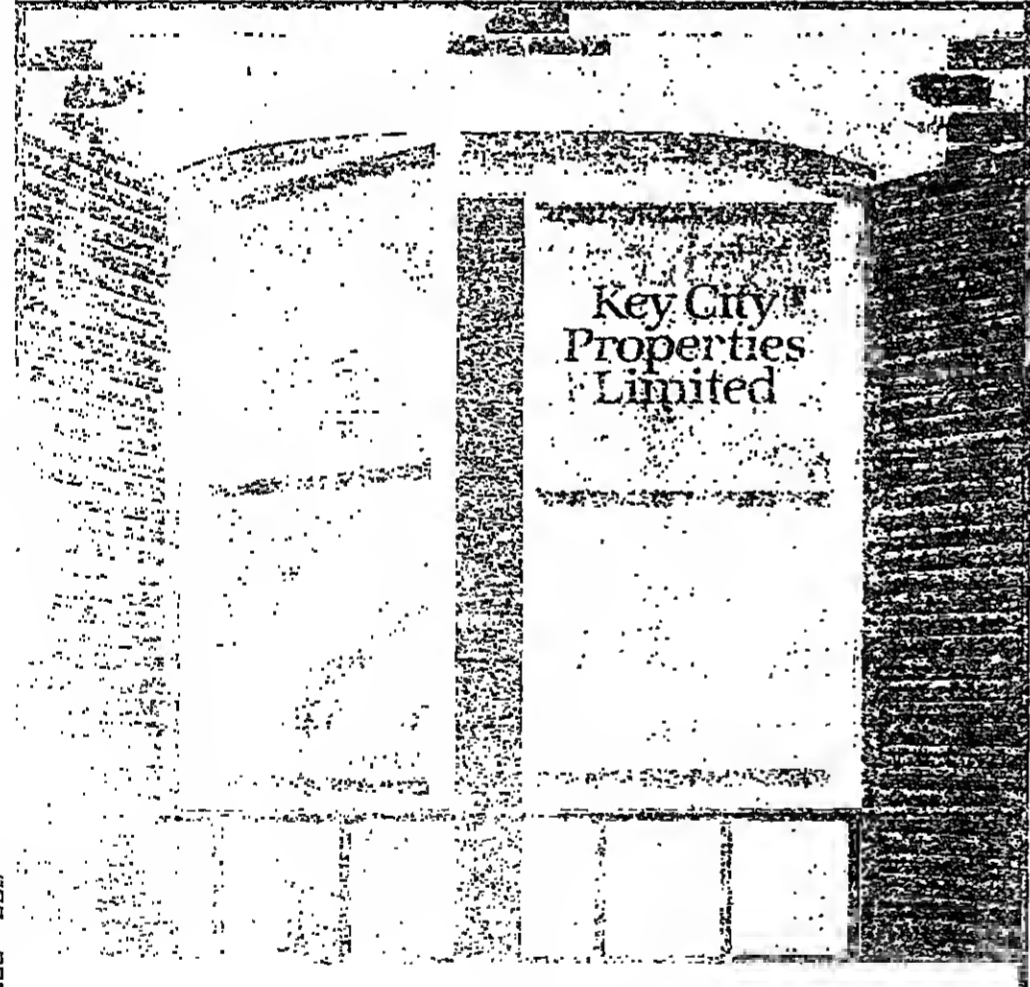
San Roque is in an upbeat mood about the future. There are plans for big tourist and leisure investment as the Costa del Sol expands all the way down from Tápion to the Bay of Algeciras. The Gibraltarians may have the 1st Battalion of the Queen's Regiment but San Roque has Mr Tony Jacklin, a self-declared golf courses in the municipality in co-operation with Mr Seve Ballesteros.

Mr Bossano and others, clinging like limpets to the Rock, are all too aware that Spain in general, and the Spain that immediately surrounds them in particular, has banned white Gibraltar sherry as a somewhat run-down "cheap" emporium jutting out into the Straits.

The TWU leader, certainly the most eloquent exponent of the identity crisis, was struck by how Spain had changed when he motored across it last year to visit Madrid for the first time in 20 years. "Spain is big," he said then, "why should it bother about something as small as Gibraltar?"

He found Madrid to be "rather like London" and there was a degree of culture shock because his hotel in Madrid was alongside a topless bar whereas "Playboy" and other girls' magazines are not sold on the Rock.

Tom Burn



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THE GIBRALTAR experience in transforming a deep-seated naval dockyard into a commercial ship-repair yard finding for itself in a highly competitive market-place has been painful and costly. It unleashed social and political tensions and exposed the attendant commercial risks and the inevitable labour problems.

For the British Government, it removed a continuing cash commitment to its last overseas dockyard; for Gibraltar, it is an enterprise that must be made to work.

With the climate of industrial relations deteriorating, the yard's managers A & P Apple-dore put a pointed question to its 780 employees: Does Gibraltar want a ship-repair yard or not?

This was in January, just a year after the new, flamboyant yard had opened its gates. The company argument was that customer confidence was starting to be destroyed and that the UK's Overseas Development Administration was hesitating about making further grants under the £24m grant, which Britain made available to the Gibraltar Government for the reconversion programme.

If the scenario looked grim at the beginning of the year, the question that was being asked as recently as May was if the yard would re-open after having been plunged into the longest strike in Gibraltar since the one-week general strike in 1972. "Workers occupied offices and ousted management, and took control of the yard which closed for three weeks," says union leader Joe Bossano of the local branch of the TWU, the Rock's biggest and most powerful union by far.

In the town's square, police stopped an attempt by demonstrators to burn an effigy of the young managing director of Gibrepair.

Management style was abrasive and outspoken, as if the brief was to wallop the unions into realising that the work practices ingrained after 80 years of naval operations had to be swiftly replaced by the ethos of commercialisation. Until the number of ships handled, at 200, and the turnover, at £7m, were well above the original projections. Yet the first year's operating loss was £2.8m, described as "high" by the company and as "hard-riding" by Mr Bossano. A new managing director was appointed in the shape of Torsten Andersson, 60, an experienced Swedish ship-repairer, who quickly struck a deal with the unions which included pay rises ranging from \$1 to 10% per cent and other benefits.

Blackleg subcontractors, who had sparked off the strike during a union meeting, had



The former HM Dockyard now being transformed into a commercial ship repair yard

Thus, the tables have been turned, from a position where management was advocating a wage freeze and warning openly that the yard could close down to one where the unions have got what they wanted. It comes at a time when British aid is coming to an end and when the company's future will have to be self-financing.

For the workforce, there is now a new face and a new approach at Gibrepair. The atmosphere has been dramatically transformed, and Mr Bossano himself expects the yard to perform better "because people are going to be happier and work better."

Such an improvement will help reduce the losses, but it is only part of the problem. Gibrepair is "in a very precarious situation and must pay highly-unfunded rates," says Mr Bossano. It has to compete in a free market.

Gibraltar is a southern European locale with pay rates linked to northern European levels.

"We have the highest-paid labour force in the Mediterranean," says Mr Bossano, with a twinkle in his eye. His answer for Gibrepair is that it should not go for volume, but for value, if it wants to become a viable proposition. It should also concentrate on emergency work and on less labour-intensive tasks.

In arguing that the union is not being unreasonable, he considers that the work practices and flexibility accepted in

rigid trade demarcations. His view is reinforced by having recently taken part in a TUC campaign in Britain against the privatisation of the naval dockyards at Devonport and Rosyth.

For most people, the future of the yard is being mined on the experience and expertise of Mr Andersson. He built up the Lusnav yard in Lishon as its first managing director in the 1960s, and more recently, scored renewed successes at the Dubai Drydocks.

He does not, however, underestimate the problems ahead, such as over-capacity in the ship-repair world and the task of regaining the confidence of lost customers due to the strike "when no one won" and Gibrepair lost £300,000.

He describes as "money absolutely vital" the £2.4m pending in British aid. The docks, however, occupy the best strategic location between here and Singapore. The Royal Navy realised this a long time ago, he says.

Indeed, the closure of H.M. Dockyard at Gibraltar was not only of economic consequence but symbolic of a waning British presence. Certainly, there had been serious doubts over a number of years about the long-term life of the naval dockyard which would have required substantial capital investment particularly to cope with new weapon systems and other modern technology for repair work which could otherwise be carried out in the remaining

Gibraltar Government, which remains unpublished, had this to say: "Using customary standards of rate of return on investment or the cost per job created, commercialisation may appear an expensive option. It would offer, however, the real prospect of reducing the eventual burden on the UK taxpayer, while providing Gibraltar with an opportunity for a major diversification of its economy."

Joe Garcia

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THE propeller-driven De Havilland Dash-7 aircraft banked down through the clouds and looked for a moment as if it would fly straight into the snowy mountains of New Zealand's South Island. A air hostess interrupted my reverie and asked if I wanted them to radio down for a taxi at Queenstown airport. How civilised, I thought.

On the ground was Frank, fortyish, deeply tanned and with lots of yellow hair. He shakes my hand, guides me to his vintage Cadillac, and starts his patter. Would I like to see the old gold mining town? It would cost me NZ\$40 (£18) for a tour. Would I like to drive down to Dunedin, the nearest big town? That would be \$60. Or perhaps I would like to fly over Milford Sound; a friend of his had a helicopter. That would be only \$90.

What was this? I had understood that New Zealand did not have a tourist industry. Yet here I was being hassled as if I was back in Los Angeles. I half expected him to ask me if I wanted to meet his sister or, worse, instruct me to have a nice day.

Once it was only the adventurous, or those visiting relatives, who went to New Zealand for a holiday. In the early part of this decade there were less than a quarter of a million visitors to the country.

Now the government, worried about the dwindling markets for its traditional agricultural products, has decided that tourism could provide a way for the country to make its living in the world.

Queenstown right down the south of the South Island is the centrepiece of the government's plans. The little town with a population of just 4,000 is spectacularly set on the bank of Lake Wakatipu. On one side is the Remarkables mountain range, rising to over 7,000 feet. Just a glimpse of these peaks is enough to lift a depression. Across the lake are the Thomson mountains and stretching away behind them the Livingstone mountains.

The charm of Queenstown, apart from its physical attractions, is that it is an all year round resort. In the New Zealand winter, from the end of May to the beginning of September, Queenstown is a premier skiing resort. There are runs on Coronet Peak and, from this year, on the Remarkables.

In the summer there is the lake, offering water skiing, jet skiing and dry, wet and troll fishing. It is relatively cheap to go trolling and great fun. I went out for an entire morning, costing \$80, and caught three small trout. The sale of trout is forbidden in New Zealand so I gave mine to the hotel and ate one myself. For the real aficionados,

## Kiwis woo the world

Stewart Dalby on New Zealand's burgeoning tourist industry.



Queenstown, with the Remarkables in the background: an all-year resort and focus of new industry.

there is dry fly fishing up on the short un-navigable rivers in the mountains. There are also many trips to take by helicopter, by sea plane, and by ordinary small aircraft, costing between \$80 and \$200 depending on your destination. Highly recommended is the trip over Milford Sound, a deep fiord on the west coast.

Because of its dual identity, Queenstown looks like a cross between a Swiss alpine village and a New England fishing

wine, but the local varieties, particularly the whites are good.

Because the emphasis on tourism is so new there have been difficulties. There are not enough hotels. The 80-room Travelodge is full all year round, as are the two other first class hotels. A new hotel, the Terraces, was opened earlier this year and three others are planned.

These will be dwarfed, however, by the \$380m Walter Peak resort plan. Mr Mike Moore, the Minister for Tourism, announced this scheme earlier this month amidst great excitement. It is the biggest single development proposed by the private sector for New Zealand and will be completed in 10 to 15 years.

The first stage will comprise 96 and 140 chalets, followed by a 300-room hotel. There will also be a \$7m golf course designed by Arnold Palmer's company.

The development, aimed at the top end of the American market, will clearly ease the hotel bottlenecks as well as increase the number of tourists. Currently 675,000 tourists visit New Zealand annually. The figure is expected to rise to 900,000 by 1990. With Americans frightened away from Europe, this figure could easily be surpassed.

But there are other problems. New Zealand is a long way from anywhere and travel can also be arduous when you get there. Most flights from the West Coast of the US fly into Auckland. It is then a hedge-hopping exercise down to Wellington and Christchurch. Finally you are shunted in a little Newmans Airlines or Mt Cook airlines turbo-prop plane for the last leg to Queenstown's little airport.

Mr Moore believes that luring the big airlines into Christchurch is his major problem. Qantas offers limited flights, as does Continental Airlines of the US and, more recently, Canadian Pacific. But Mr Moore admits he wants to get Japan Airlines, and possibly some Far East airlines like Garuda from Indonesia, into Christchurch more frequently.

Apart from access there are doubts about what Mr Moore rather euphemistically calls, the "uneven service" in New Zealand. Because there has never been a tourist industry as such, there is little tradition of working in service.

I was met, however, by nothing other than courtesy in the hotel and restaurants, although shop assistants were a little stiff. College crash courses in catering and hotel management have been launched to cater for the growing need in New Zealand's new tourist industry. For the moment, though, some groups have trouble getting enough trained staff.

## The ring of fire

THE FILM *Lost Horizon*, in which the inhabitants of an idyllic land of everlasting youth dramatically age when they cross the city limits, came to mind as I walked into a village perched on the slopes of Mt Bromo in East Java.

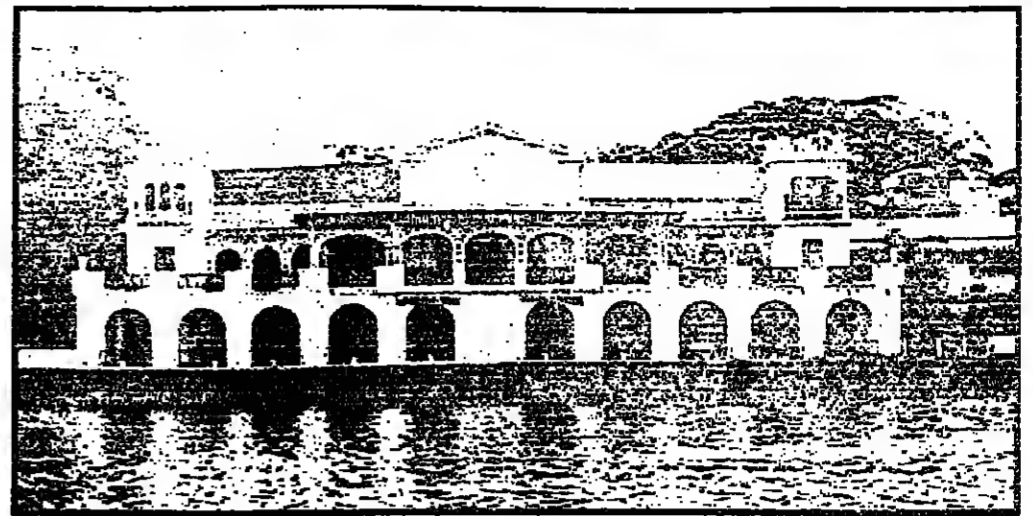
Below was the hot, fetid plain, pestilential and polluted. Here were apple orchards, red cheeked Tibetan-looking people—and the smell of had eggs. Bromo is one of Indonesia's most famous volcanoes. Standing on the rim of one of its three craters, looking down into the huddling lava lake into which, not so long ago, young children were pitched as sacrifices to appease the gods, the sulphurous air almost causes asphyxiation.

The view and atmosphere are poised between a walk on the moon and a trip to Hades. Swirls of fine grey volcanic dust whip across the landscape, getting in your eyes and every other orifice: before the sun comes up, the stars seem very close. At more than 2,200 metres above sea level it is bitterly cold, even here on the equator. Throughout the Indonesian archipelago, which early explorers aptly named "the ring of fire," there are more than 400 volcanoes. On Java, an island not much bigger than England, there are 121 volcanoes, some of them still very active. There are about 10 major eruptions each year in Indonesia, and three minor earthquakes each day.

Bromo is in fact three volcanoes set inside each other, with a main "mother" crater more than five miles across. I stood on the rim to watch the blood red sun come up over the strange grey desert below. In the distance another volcano suddenly belched up flaming red mounds of rock as if the earth was poking its tongue at the sky.

According to Indonesian animistic belief, volcanoes are the home of the spirits and gods, areas full of mystery, a sacred kingdom half way between the human world and the world of the dead. The country's president, Mr Suharto, has built himself a lavish mausoleum on the slopes of one of Java's most sacred volcanoes. Each year the people who live around Bromo, sharing a mixture of Hindu, Buddhist and animistic faiths, gather on the rim of one of its craters and stand swaying together through the night, chanting and occasionally tossing buffalo and live chickens into the lava.

Kieran Cooke



Malacanang Palace: once the Marcos riverside home, now a tourist attraction.

## Manila's many faces

LIKE IT or not, the Marcos phenomenon is today the Philippines' biggest tourist attraction. As the country's new government is just beginning to realise, 20 years of misrule is difficult to throw off. Even the monsoon rains failed to wash away the Marcos campaign posters, a reminder to everyone of last February's so-called "snap" election.

With characteristic good humour, the locals of one street in the capital, Manila, have covered up these posters with a large advertisement for "an accounting refresher course." But the new authorities are moving fast, refurbishing the former president's 30-odd homes divided, as one official put it, into "his" and "hers". Ferdinand's and Imelda's Malacanang is the highest attraction, a monster of a building, all done out in coconut and mahogany. It remains heavily guarded and is temporarily closed to the public, while inside teams of shoe-shiners prepare Imelda's 3,000 Gucci shoes, and the rest of her armoury is laid out for display.

Entering this windowless palace you half expect to hear the voice of Miss Havisham, Dickens' shadowy creation in *Great Expectations*. Inside, everything is as the Marcos family left it. Even a note of the Mayor of Los Angeles' telephone number still sits on the glass desk of the former president. Whether out of genuine curiosity, or for the purpose of moral instruction, the Marcos story looks set to run and run.

But there is more to these tropical islands than the diamond rosaries of Mrs Imelda Marcos and her husband's collection of after-shave. From a room in Makati, the business centre where the city's best

hotels are located, the view must look little different to Tokyo, Singapore or Hong Kong. From here, who would believe the Philippines is the Latin heart of Asia?

Shaking off more than 300 years of Spanish rule has been no easy task. Spanish Catholic rule dominates this island state. Churches dot the landscape from the modern concrete, looking much like an exotic fruit, to the so-called "earthquake Baroque," a style the Spanish brought with them from Mexico. One note of warning, earthquake rumblings are not totally unknown today.

In the more recent past the Americans have added to the country's already hybrid culture. In the bars of Manila and as far afield as the old pirate port of Zamboanga, you can hear 1930s bebop or the gentle sound of country-and-western. It's a colourful US legacy of jeans and T-shirts. At first sight the whole nation appears en route for the beach. In the Jeepney, a converted Willy's Jeep, today the island's most popular form of transport.

By the businessman's usual criteria, the Philippines is nothing more than a weekend stopover, perhaps a day away from engagements in the region's other commercial centres. For him it is enough that the "Royal," the local tonic water, stays fizzy for a second and the local matches strike without breaking. Perhaps also the legendary beauty of the Filipino women is some entertainment.

But a trip beyond the bar of his hotel might change that view. Still in Manila, there is the enchanting "strip" running along the port side. Here you look out on the ocean, towards the islands where huge ships

pass like a child's cut-out figures.

For the real adventurer, low-life Manila offers even more. Have a shirt made while you wait, or gamble and lose a fortune playing Mah Jong.

Gambling, a taste introduced by the Chinese, is an important part of daily Filipino life. Cock fighting is one of the most popular forms. Up country, the Mindanao Royal has the same appeal as the Everton-Liverpool derby. Here in a corrugated iron coliseum, in a torrid smoke-filled atmosphere, thousands of pounds change hands. The referee's decision is final. It reads high above the sand-strewn pit where the two cocks fight to the death.

But before that, the runners must be seen in the paddock; here the owners are allowed to preen and cajole their fighters. With a signal from the referee, betting begins. Hands wave furiously; everyone acting as his own bookie. Surprisingly, this chaos passes without dispute. "It is the Filipino natural head for figures," explained one fight-hand. With the betting over the contest begins. It's a short-lived affair. One fight can last up to three minutes. More often it is over in a few swift, violent seconds. The whole event can go on for 14 hours with no interval. At the end of it a successful winner is said to come away with a Mercedes Benz.

But outside Mindaue, you'll see no Mercedes. Successful punters in the Philippines take a leaf out of their politicians' hook and take their fortunes offshore. Meanwhile the less fortunate, trainers, referees and the tourists, retire to Modesta's, a bar which entertains all its customers to "unwind."

John Murray Brown

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## PROPERTY

## The Garden bears fruit

John Brennan looks at the growth of centres that combine shopping, eating and entertainment

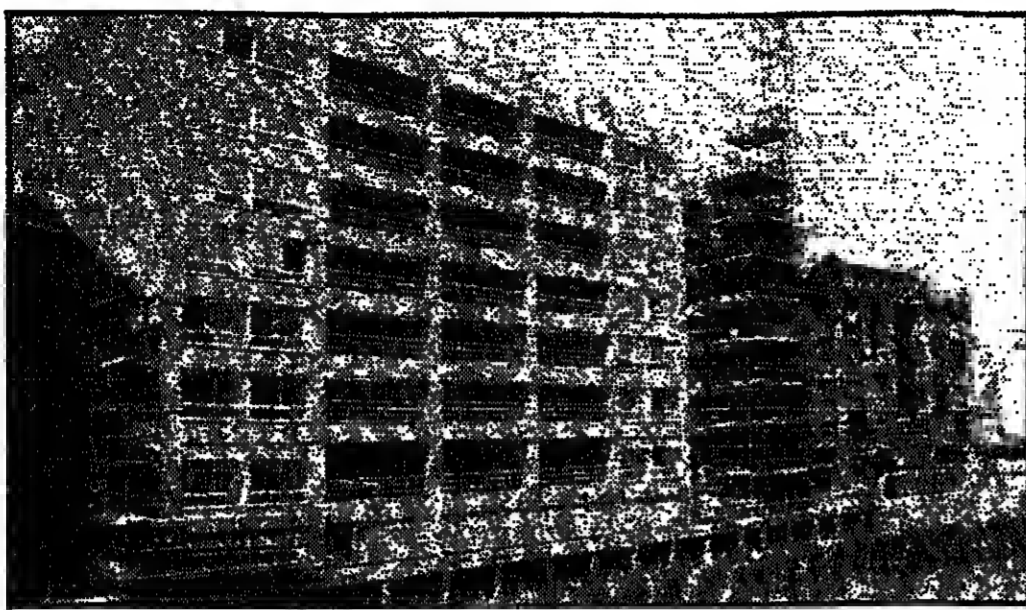
ANDREW CARNEGIE, the canny Scotsman who built a fortune in the US last century, once observed that "pioneering don't pay." That snap judgment could have encapsulated reactions five years ago to the idea of a mixture of "fun" shopping, restaurants and stalls in the Greater London Council's fruit market building at Covent Garden, refurbished after being left vacant when the market moved south of the river Thames.

However, even Carnegie—who knew a good thing when he saw it—would have jumped on the bandwagon when the redevelopment started to draw the paying customers. In the absence of Carnegie, property developers did just that. Now, Covent Garden clones are appearing in new schemes all over Britain. These are the new generation of Specialty Shopping Centres (SSCs), the yuppie equivalent to the out-of-town supermarkets being built to serve car-borne family shoppers.

Covent Garden gets the credit for setting the pace for similar shopping-eating-entertainment-and-generally-strolling-about developments in the Albert Dock, Liverpool; Exchange Arcade, Nottingham; the Berkeley Centre in Bristol; Waverley Markets, Edinburgh; and Cavern Walks, Liverpool. The Garden is also used as a shorthand way to explain the projects transforming the old Whiteley's building in London Queensway; the Quadrant Centre in Bournemouth; Butler's Wharf in London's dockland; Quakers Friars, Bristol; and a dozen others.

Sharing the honours for this boost to the careers of those purveying tastefully-expensive necessities, sign painters and street entertainers—all everyday parts of the Garden scene—are three factors: the inescapable logic of changing demography, one charitable American, and a far-sighted British property developer.

The demographic changes are simple enough. As the post-war baby booms of the 1950s and 1960s move up the population pyramid, Britain, in common with much of Europe, is acquiring a middle-aged spread. More people at working age, more economically active parents with grown-up children, and a



Transformation—the Butler's Wharf development in London's dockland

continuing growth in the number of independent households, add up to a marked change in shopping patterns.

As Jones Lang Wootton comments in its recent study of SSCs: "The idea of a homogeneous mass market predominantly composed of families is now obsolete. The classic nuclear family (husband working and wife at home with two children) now reflects the lifestyle of only one in 20 households in Britain."

At the till, that means a sharp divide between "task" shopping for essentials, and "fun" shopping for the rest. The "task" side of the retail business has not got the growth to appeal to competitive retailers because relatively less of rising incomes is spent on essentials. That is why, in a period of record retail sales, shops now take only 40 per cent of personal disposable incomes against 48 per cent in 1970.

The growth market is in supply higher margin essentials—SSCs—with entertainments, places to meet and eat, and plenty of interesting shops to browse around—are one way of drawing together enough casual spenders to make commercial sense of a retail development.

The charitable American who proved the point is James Rouse, the pioneer of "festival centres" in the United States. As the agent St Quintin notes in its review schemes, they evolved out of standard shopping malls. The first true SSC

was probably the Old Chocolate Factory at Ghirardelli Square in San Francisco, which opened its doors in 1964.

It was Rouse's classic redevelopment of Faneuil Hall in Boston, however, that established the principles of pre-planning retail redevelopments of run-down buildings and, as Rouse says, "creating the kind of centre that is energising the heart of many cities."

Rouse goes to exhaustive lengths with his schemes to select a lively tenant mix. He even goes out to create new market traders by providing training for inexperienced local people. "The payoff of educating tenants is higher sales. Even tenant changeover is healthy because it adds new life to the centre," he insists.

Profits from Rouse's Enterprise Development Company, which runs hugely successful market developments in Baltimore, Norfolk and Richmond in Virginia, and in Michigan, go to a charity to improve the housing of the poor in US cities. But it was the evident success of the schemes that persuaded Julian Markham, chairman of Gleagate Holdings, to bring the idea across the Atlantic.

Markham applied the formula he had seen in the US to the redevelopment of the Royal Exchange, Manchester. Instead of yet another department store, Gleagate provided a lively mixed market that opened a few months ahead of the same-sized (52,000 sq ft) Covent Garden.

Tourist attractions though these specialty centres certainly are, they would be commercial disasters if they did not appeal to a wider audience. The GLC's survey of Covent Garden visitors in 1982 showed that six in 10 were Londoners. If the shops, stalls and restaurants relied on foreign tourists, they would have a tooth of their custom.

Keeping centres interesting enough to attract regular repeat visitors is, therefore, a critical part of their management. So, too, are restaurants, which account for a third of the space in the Covent Garden market and which draw visitors in their own right as well as helping to persuade 43 per cent of them to stop and buy or eat.

Maintaining the kind of orderly chaos that gives SSC their appeal takes a different kind of property management skill to the traditional free market approach of renting space to the highest bidder. Covent Garden might not have been the first, its planning might have been sketchy in comparison with today's carefully researched SSC schemes, and it is certainly not the most commercially successful—but at least it can claim to have been a significant step in the ironic progress of property development companies from being bulldozer-happy to becoming enthusiastic guardians of old buildings of character.

J.B.



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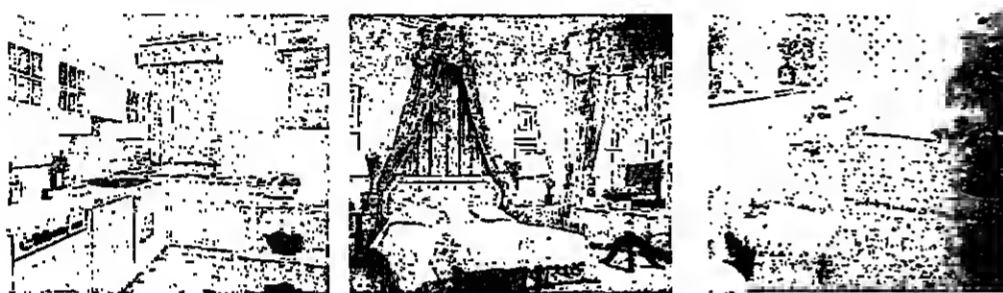
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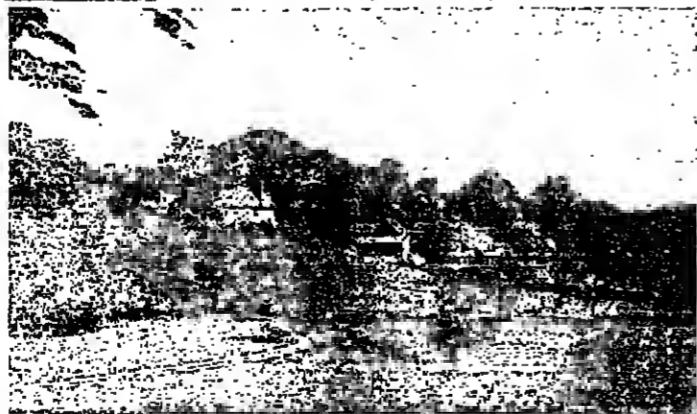
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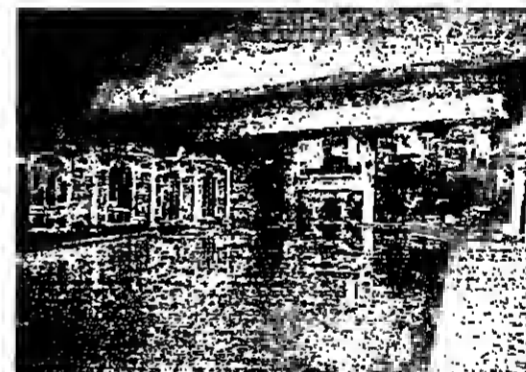
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Self in 110



The revival of Covent Garden was a success but the future is in jeopardy. Colin Amery and Karen Elder report

## For better or for worse

THERE IS insecurity at the heart of Covent Garden. After more than 10 years of patient and gentle transplant surgery under the vigilant eye of the late Greater London Council, its future is in jeopardy. All the properties owned by the GLC, including the Central Market Building, are now in the care of the London Residuary Body, an organisation duty bound to secure market value for its holdings as it disposes of them.

The future of this unique example of controlled mixed development has grown out of a complex mixture of community pressure, political pragmatism and enlightened enterprise, is important. It is important not simply because the great success of Covent Garden must be safeguarded but also because Covent Garden still shines like a good deed in a naughty world and it is time that the beams shine even further.

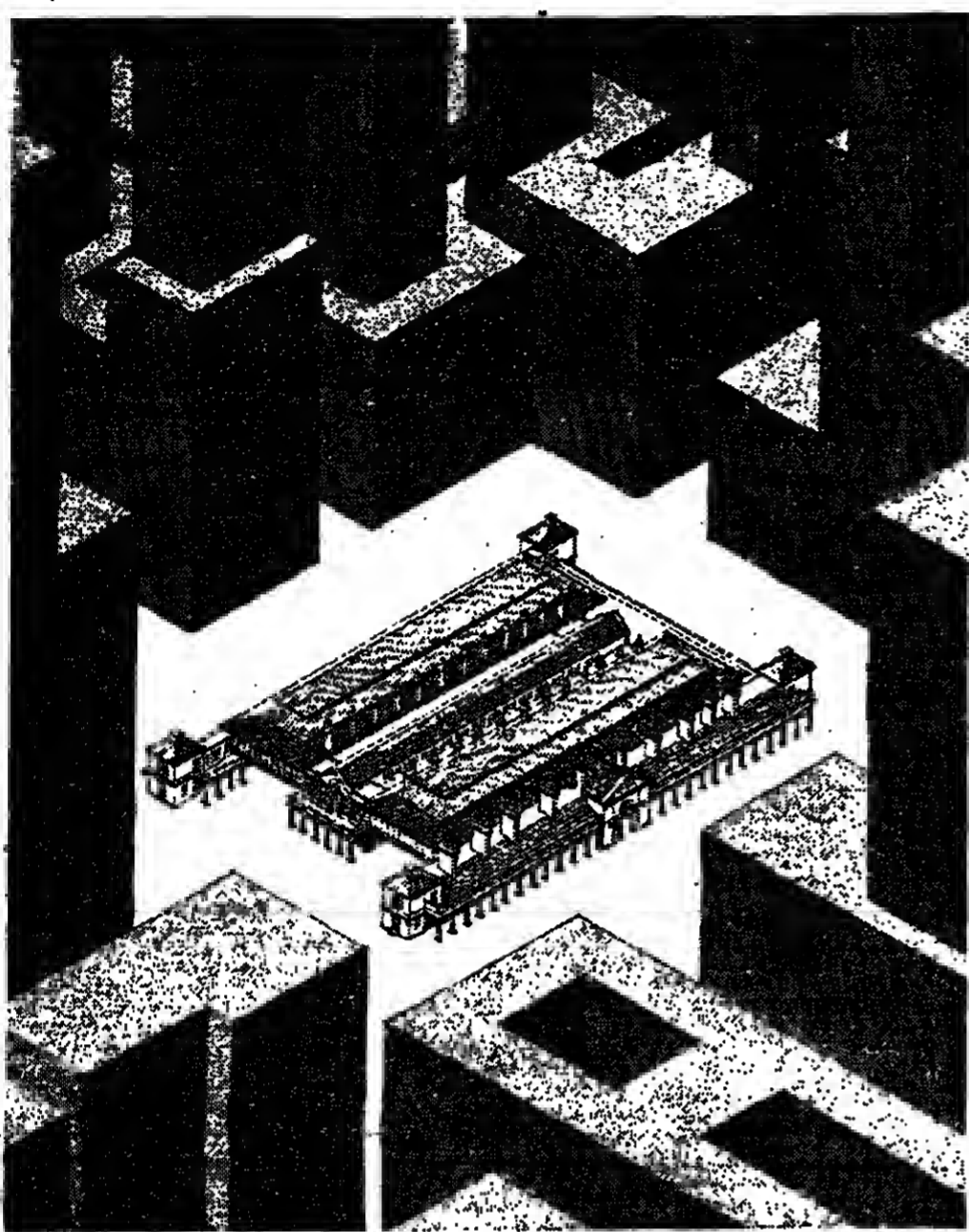
It is worthwhile considering what makes Covent Garden such a success. Almost everyone is attracted to this historic town within the city — and this is surely the key. While many of the activities are new, the scale and the fabric remains old, attractive and civilised. There is a constant sense that somehow the inhuman, concrete giant world of the contemporary city has been kept at bay. Although a great deal is ersatz, people come here because they feel that it represents real life. There is a sense in the Piazza that you might (just) be in Florence.

The old cliché that London is just a collection of villages rings true here. There is a suburban village like Spitalfields or Battersea, because people do live and work in Covent Garden. There is something still of that feeling Nancy Mitford had about the Eternal City. "It's just like a village with one post office, one railway station, and life centred round the vicarage." In Covent Garden life can choose its focus but it is inevitable that it will at some point settle in the Piazza in front of St. Paul's.

A multiplicity of interdependent things have contributed to the success of the rehabilitation and renewal of the whole area since the departure of the market to Nine Elms in 1974.

Scale is crucial. Everything is within walking distance. There are shops and offices but some 10,000 people live in the 96 acres that stretch from Shaftesbury Avenue in the north to the Strand in the south and Charing Cross Road on the west to Kingsway in the east. Just as the market had bred a series of service businesses that helped to support it—Mr O'Brien the barrow builder and all those swilling pube open in the early morning—today the world of design and fashion and food supports much of the West End. Graphic design, advertising agencies, all found and liked the spaces they selected in Covent Garden in the 1970s. Conran Associates set up in the early seventies and now has an empire stretching from Third Avenue to Tottenham Court Road—all of it based on design first and then retailing. Conran attracted cohorts and now there are 60 design consultancies in "the garden."

The artwork businesses that service the design world had the early advantage of the use of light industrial space. Research shows that these businesses have done extremely well but many are considering moving away soon because they find the area limiting for expansion. Property has become



too expensive—which begs the question of who will be able to afford the offices and studios that they leave behind? Can financial services be far behind?

For instance, two successful small companies explained their feelings about the area. The Button Design Group has been in Covent Garden for 12 years. It came because of the central location and its conviction that clients would be likely to be coming into the area as well. It started off small. By 1985 it had had a freehold building in Selsdon Street and wanted two further premises (one a light industrial one for studio work) from private landlords. Its work is mostly in exhibition design. It wants to expand and have the exhibition stand building department next to the design studio so it may have to leave the area.

Printronics, a layout printing and graphics company, has occupied light industrial space in Covent Garden since 1983 when it moved from Soho. It says that since the move it has experienced a 50 per cent increase in business.

This exemplifies the success that comes from providing a service close to the clients that need it. Because of its central position Covent Garden lacks any peripheries where the less profitable businesses can take refuge when the rent and rates get too costly in the centre. It is important to retain the extraordinary mix in Covent Garden—somehow the GLC managed to perform a delicate balancing

act—but if large elements of the whole are sold the scales may well tip in the wrong direction. Shops are often an indication of the way things are going, being a more direct and public signal of the commercial climate.

In the Central Market, where tourism on a formidable scale is beginning to chip away at the charm, there are the first signs of a crack in the rare and specialist image contrived by the GLC. One chain store—Beunetson—has found its way through the complex planning regulations, and others that

**'There is a sense in the Piazza that you might (just) be in Florence'**

were not chains when they arrived in Covent Garden have since become so: Bodyshop, Mousson, Culpeppers, Cranks and Whistles represent the now commonplace "Laura Ashley" type of mass-produced home-urn shopping.

The real specialists in the main market area have been forced into the remote trading regions of the upper floors. The northern part of the area, which comes under the London Borough of Camden, seems to have a more successful mixture of truly specialist shops. Many are owner occupied and provide exactly the kind of service and goods that are rapidly vanishing

elsewhere: the Copper Shop, the Bead Shop, the Kite Shop, Falkinder Fine Papers, Stanfords Maps, the Tea House, a shop devoted to pens in Drury Lane, and even (long may it last), a shop selling authentic archaeological remains from all over the world.

Tourism has mixed effects on the whole area. Food flourishes but standards are slipping with the characterless Pont chain of catering establishments spreading their tasteless and uniform food in the area and MacDonalds panting for a pitch—which it may get in one of the newer developments. It is surely important that fast food be kept out of this area: the accumulation of rubbish and grimy premises could easily make Covent Garden just like so much of the West End.

Along with tourism goes entertainment. Much of the busking and community art performance is mediocre and can easily bore residents who suffer it every day. Liveliness is one thing, mindless reputation another.

Is this microcosm of the ideal city in serious danger from possible over development?

There are at least a dozen schemes planned most of them encouraged by the sheer success of the area. Five architect/developer teams are doing battle to redevelop the site of Bruce Hoosa, a working men's hostel in Drury Lane. The 300-bed hostel is owned by Westminster City Council, which wants to replace it by a smaller hostel, offices and shops. A larger and potentially more damaging scheme to the fabric of the area is the plan submit-

ted by the Mercers Company to develop three acres between Selsdon Street and Long Acre. One block of the site will be refurbished warehouse premises for office/shop/retail and some residential use and the other block will be demolished and replaced by offices and other mixed uses. The Covent Garden Community Association sees the scheme as "the spearhead of a new wave of commercial development that threatens the whole of the Covent Garden Area."

The Covent Garden Forum and the Covent Garden Association feel that the loss of the GLC as a strategic planning authority places the area of considerable risk. The Covent Garden Action Plan, in force since 1978, is a sensitive and creative use of planning powers and it should not be set aside lightly.

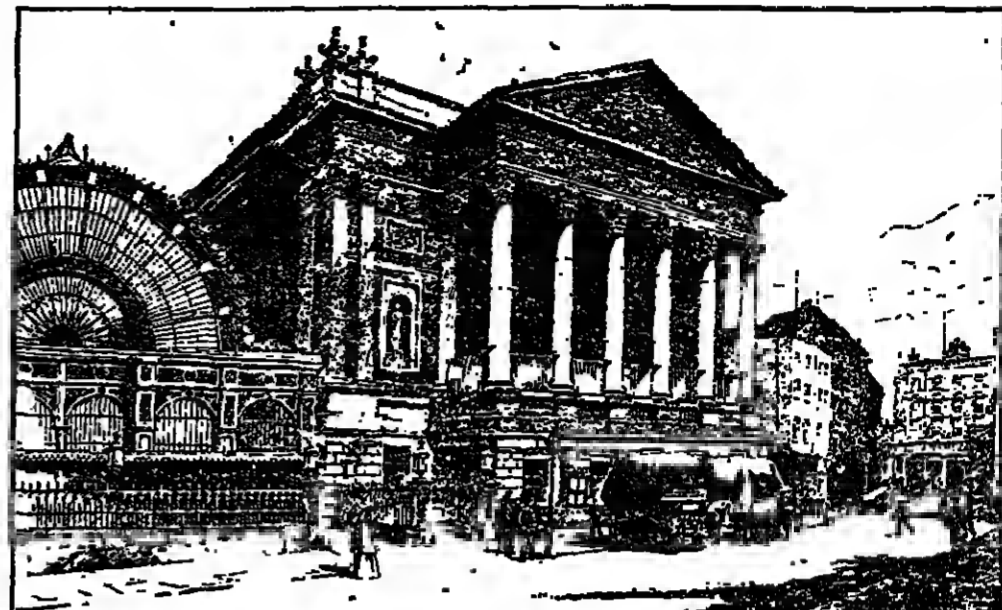
The future of the Lyceum Theatre lies with the London Residuary Body. A consortium led by Stephen Hetherington plans to turn it into a major new venue for dance performance, while Mecca wants to renew its lease and run it as a "multi-use centre." It is an important Grade II listed building but the LRB has said that it is charged with getting maximum commercial value from its property over and above any historical or artistic considerations.

The former Gharling Cross Hospital is to become a new police station. The Peabody Trust is considering developing its Bedfordbury site, with some offices to pay for housing. The Jubilee Hall site, on the way to completion, has squeezed as much as possible onto a small site — will it all be out of scale? Moss Bros is planning to rebuild completely on its present site and the Royal Opera House development plans will be announced soon.

What can ensure that this remarkable area does not go the way of all developers' flesh? One proposal is very much in the air: In a kind of management takeover, members of the Covent Garden Forum and the Community Association are proposing the establishment of a Covent Garden Trust to ensure the continuation of the success of the area in the interests of the whole community.

This trust (still in the process of being established) hopes to find City funding and be able to take on the running of the GLC properties from the LRB on a non-profit community benefiting basis. A panel of legal and financial advisers and representatives of the Department of the Environment has been assisting the embryo Trust to establish the ground rules for what would be the first local city non-profit development trust in such a commercially attractive area.

One of the four trustees described the objectives of the proposed trust as the only way that the area could be preserved with its rich mixture of uses and carefully maintained character. The GLC had the unparalleled advantage of being the landlord and the planner — no-one disputes that Covent Garden is one of the GLC's better legacies, one that benefits the whole of the capital. Is the trust simply a romantic pipe dream? Many people thought that the original destructive plans for a rebuilt Covent Garden would never be stopped — but they were. Perhaps now is the time for another new form of planning for so area that has already proved its unique value. It is too good to lose.



Victorian view: the Royal Opera House

## The operatic score

In September, an important announcement will be made about the future of the Royal Opera House and the long-awaited redevelopment of the site it owns in Covent Garden.

Since the choice of Jeremy Dixon and the Building Design Partnership by the Opera House Board in 1984, a scheme has been prepared for a mixed development that will partially fund the expansion and renewal of the Opera House.

The scheme is an interesting example of the sort of imaginative financing for the arts that has been encouraged, and indeed made necessary, by the present government.

The opera house owns sites that run alongside the present theatre from Bow Street to James Street with frontages on the Piazza, also good sites for commercial and institutional development between Floral Street and Long Acre.

Jeremy Dixon and the BDP have produced an excellent early design for a complex variety of mixed uses. It will be placed on public exhibition in September when a planning application is made.

The heart of the £55m proposal is the total rebuilding of the Royal Opera House—almost all of it except the present auditorium. New side and rear stages, fly tower and complete facilities for the Royal Ballet (at present scattered around London) as well as extensive foyers and a grand "double helix" staircase will be provided.

The approach to the redevelopment has been to provide for the opera house all that is needed and then to see how the rest of the sites can contribute to the total cost. On this formula it is anticipated that shops and 100,000 sq ft of offices will provide £35m.

The problem is the shortfall of £20m. There is optimism in the air that private benefactors may provide at least half of this sum and that a general appeal will be launched for the outstanding £10m.

The design, as far as it has been developed, will provide an Uffizi style arcade on the Piazza, a new entrance to the opera house from this arcade and an aesthetic of Portland stone facades with glass and steel elements above the roof-line.

In architectural terms the solution is ingenious, careful and responsive to the sentiment that surrounds the old Barry 1858 Opera House. Financially it clearly has its problems that can only be solved by a rare mixture of commerce, patronage and public goodwill.

Colin Amery

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Habitat Property Development

## Who needs progress, anyway?

COVENT GARDEN as a leisure centre is evidently so badly needed that millions come to enjoy it, but as a resident I look back with nostalgia to more peaceful days.

I had a local greengrocer whose exotic wares spread all around the entrance to the Tube station. Food shops were scarce, so vegetables became my staple diet. The quantities I bought were noted by the manager who, on discovering I was single, suggested that I might shack up with a greengrocer—which was bad advice because his stall was swept away by rising rents and rates and is now a booth where for £4.50 you can have your horseshoe read.

The butcher has become a sandwich shop, my local pub has been turned up for the tourists, and summer has become too ugly to tolerate.

tourism has invaded Covent Garden. There is no peace—the visitors, the buskers, the early morning clean-up, the servicing of restaurants and pubs, the building works, the cafe cooking fumes and the endless gipping up of the road on Sunday mornings drive me to the country on

### A resident's lament: Karen Elder on the disadvantages of gentrification

weekends. My neighbours simply pray for rain.

I moved here in 1977 to a strange inner city no-man's-land of empty warehouses, neglected buildings and no traffic. My car was alone in the street on Sundays, and my main fear was that if I had an accident on the weekend no-one would find me

the days when my mortgage application for a £12,000 flat in Long Acre was turned down as too risky an investment.

Without changing my address, I have lived in inner city desolation, in a building site, and now in the middle of a big crowd of tourists. The

third phase is by far the least pleasant, but ironically the rates and value of my rented flat have increased enormously.

This situation faces many of us who live here in private housing, but my cleaning lady (a Chilean refugee) is more fortunate as she is able to buy her council flat here at

Yon must either be a millionaire or in need of social support to move into Covent Garden nowadays.

Despite the change, I am devoted to the area and enjoy the variety, the shops, the liveliness, the beautiful buildings and the amazing convenience. I wouldn't live anywhere else, especially in winter.

Early on snowy mornings, looking out over the untouched Piazza is a breathtaking sight. But the best time is Christmas. When I had a puncture outside my own front door on Christmas morning (the only day in the year I can park there), the fact that there was no-one around to help filled me with selfish delight.

What we really need is another Covent Garden. Perhaps Smithfield might



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DIVERSIONS



# Check out London's all-singing, all-dancing

COVENT GARDEN seems to me to be one of London's great success stories. It has managed that difficult problem of retaining a measure of its historic character while moving into the modern world.

The high hopes we had when the old central market building was finally opened to the public in June 1980 have been largely fulfilled. What had been a dead area since the last market traders moved out in November 1974 is now a lively, vibrant amenity for those who live

**Lucia van der Post**

**HOW TO SPEND IT**

in London and its many visitors.

Covent Garden has attracted its fair share of

dubious characters, some tatty restaurants, too many boutiques offering nothing very special. Anybody ambulating round would be well advised to hang tightly onto handbag or wallet.

Nonetheless, year in, year out, it is London's best source of free street-life. It has vitality and a personality of its own and some of the best and most varied shops in the capital.

You may not be able to buy anything as lush as a fur coat (but then most of us can live very happily without one), for fresh fish

you'll have to wander over into Soho, and there isn't an old-fashioned draper—otherwise it's hard to think of much that can't be bought.

The revamped central market tends to get all the publicity and the bulk of the visitors but the real joy of Covent Garden lies in the backstreets—wander round them and you'll make plenty of discoveries of your own. Meanwhile here is a look at some of the shops that help to make Covent Garden what it is today.

### Central Market

THE Central Market, housed in the restored market building, can seem over-crowded, over-priced and over-endowed with items deserving marks for effort rather than for skill but it is always worth a visit. It's not everywhere that you get a chance to make direct contact with those who make the things you buy. Even the objects that are short on fine detailing are usually full of personality and certainly far removed from the anonymous production-line numbers that fill most stores.

If you don't see exactly what you want you can always chat up the maker and persuade him or her to make you something special.



One-off: home of post-holocaust design

actually buy many of its components until Astrohome started up this cool, chic Hi-Tech temple. Even if Hi-Tech isn't exactly what you have back home, there are lots of small accessories that are lots of fun—very nice ceramics, funky lighters and very efficient lighters and torches, as well as one of the most efficient storage systems (Speedrack) around.

Authentic, 42, Shelton Street, is one of those shops which makes it absolutely plain, from the moment you look in the window or enter the door, that here everything has been rigorously edited and most carefully chosen. The cool furniture of Alvar Aalto is probably the softest range around—otherwise the general impression is of sleek, monochrome chic. Lots of those totems of the stylish life—Mont Blanc pens, Porsche clocks and watches, clever stationery and razor sets.

### Crafts

COVENT GARDEN is home to the British Crafts Centre at 43 Earls Court, and anybody interested in the state of crafts in this country will find lots to catch the eye. It is always a good place to search for the one-off special present and while upstairs is usually given over to the exhibition of the moment, downstairs houses a collection of ceramics, silver, jewellery, glass, textiles and almost every other craft you care to name. The standards are high, there is a stiff selection process to pass, and almost everything verges more towards arts than crafts.

Naturally British at 13 New Row is, as it sounds, a showplace for British crafts, though here the accent is more on commercially orientated crafts. There are soft teddy bears, home-made dolls, pottery mugs, and tea-pots, great ceramic bowls, baskets and hand-knits. It's a good place to find a pre-

### Neal's Yard

THE NEAL'S Yard Complex is a phenomenon in a class of its own. It all started with Neal's Yard Wholefood Warehouse where the early converts to the wholefood way of life could buy chickpeas and lentils, muesli and brown rice by the bagful. Since then its range has grown and its message has become popularised and from all over London people come to buy honey, peanut butter (see it made on the premises out of nothing but crunched-up peanuts), luscious prunes and dried apricots, whole-grain cakes and biscuits.

Now the concept has been expanded and nestled all together in the newly revamped

sent to please a foreign child or visitor and though some of the merchandise is a little on the cute and homely side, some of it is of very high standard.

Neal's Yard there is also Neal's Yard Flour Mill (for your stone-ground wholemeal, your esoteric nutritionally sound flour of every kind). Neal's Yard Farm Shop (for organically grown food, from fruit and vegetables to eggs and pasta), Neal's Yard Bakery Co-op (where you buy baked breads and cakes made entirely from afore-mentioned flour and other ecologically-sound ingredients). Then there is Neal's Yard Apothecary and Therapy Rooms where you may buy essential oils, cosmetics and toiletries to ponder to your body from the ancient little boxes downstairs. All are tentatively packaged in old-fashioned bright blue glass containers.

Upstairs there is a place of another kind—here you may choose your own particular brand of cure, whether it be aromatherapy, acupuncture, massage, reflexology, or the Alexander Technique.

Neal's Yard Dairy will sell you as large a selection of English cheeses as you will find anywhere. Many are from small producers and have charming explanations of origin.



Adding spice to life: the Apothecary, Neal's Yard

During any given week some 200 different craftspeople bring their wares to market and every day is different and it would be a dull shopper who didn't find something there to please.

Over the years I have found it a good place to buy "fun" sweaters (and remember, you can usually order any given pattern in any colour), hand-made wooden toys, ceramics of all sorts from vases to cups and saucers, photograph frames (Wednesdays and Thursdays) in all colours, shapes and sizes, jewellery, leather bags (the quality seems to have improved lately) and on Tuesdays and Wednesdays there is a marvelous button stall.

The stalls in the central market usually start putting out their wares at about 11 am, and start up shop at 2 pm. From Tuesdays to Saturdays are the days for crafts, Mondays are given over to antiques—nothing too large or too precious, but well worth a hunt for the odd small silver present, blue and white jug, or antique kitchen implement.

### Design

GIVEN THAT a host of advertising agencies, design consultancies and architectural firms have established themselves in the area it isn't surprising that some of London's most interesting modern, even avant-garde, furniture and furnishings are there, too.

Wackiest of them all is Practical Styling, just on the edge of Covent Garden at 18-19 St Giles High Street. Here the former Mr Freedom is showing the same talent for breaking moulds, for lifting the spirits and taking "apart orthodox" "good taste" ethics that he showed way back in the 60s.

It's the place to go for dustbins in eye-searing purples and yellows, for plastic flowers by the armful (for some curious reason, once plastic flowers become sufficiently awful, they qualify for the label "kitsch") and then they are quite all right.

One-Off, 56, Neal Street, has been described as belonging to the post-holocaust school of interior design. Take this to mean that unless your tastes are quite extraordinarily advanced or you are an absolute glutton for the newest and the latest, you are unlikely to find very much that would actually fit into what you have back home. You will find lots to interest you. Ron Arad, who runs One-Off, does not believe in waste and to this end uses things you and I would discard, like old rubber tyres, iron railings, motor-car parts, wire mesh and the like to construct his furniture.

Lighting Workshop, 35-36 Floral Street, is a good place to try to unravel the mysteries of good lighting. The staff can be cajoled into giving serious advice and there is a huge selection of modern lighting to choose from, ranging from the decorative and the witty to the strictly functional.

Astrohome, 47-49, Neal Street, was one of the first shops in London to home in on Hi-Tech—that is, while we all knew that it looks sleek and elegant in penthouses.

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RODRICK K. MACKINNON  
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### Nobody's fool, the gooseberry

and herring, and a pleasant change from the ubiquitous apple sauce with roast pork. Try also a sieved purée of gooseberries stirred into a mixture of soured cream and marmalade for a light and piquant dressing to serve with salads of smoked fish, gammon or ham.

Gooseberries make splendid pies. Even better than the traditional raised gooseberry pie with its hot watercrust, I think, a simple pie in which tart little green gooseberries nestled under a very buttery crisp shortcrust.

I like to layer the raw gooseberries in the pie dish with a sprinkling of sugar and cornflour so that the juices are lightly sweetened and thickened as they begin to run from the fruit during cooking.

Sometimes I add a little finely-grated orange zest or a few starling orange seeds to round out the aroma with intrigue.

Almonds go well with goose-

berries, particularly if they are well-toasted to intensify their nutty sweetness, and little glasses of softly crushed gooseberry fool seem especially appealing if topped with a scattering of split and toasted almonds.

If you want to make a fool that is less cholesterol rich, replace some or all of the cream with Greek strained yoghurt.

### Philippa Davenport salutes a modest fruit to shame the showoff strawberry

Cookery

I often include a handful of the finely chopped leaves. I use them also in gooseberry crumble, and I line the cake tin with whole leaves when baking traditional Wiltshire gooseberry cake.

Unforgettably good is the combination of tart green gooseberries and elderflower. The marriage of these two very common plants is truly remarkable, making food fit for the gods at pauper's prices.

**GOOSEBERRY KISSEL** (serves 8)

Elegant and delicate, this pudding succeeds in converting us who profess to hate gooseberries. It is a dish that would not seem out of place at a grand dinner party but is equally suitable for a family Sunday lunch, and it must be one of the cheapest and easiest of all summer puddings to make.

1 lb tart green gooseberries; 4-5 oz caster sugar; 2-3 heads of elderflower blossom; 1 pint water; 3 tablespoons corn-

flour; Greek strained yoghurt and almond tuiles biscuits for serving.

Wash the fruit (no need to top or tail it) and put it into a saucepan with the rinsed blossoms and the water. Cover and cook very gently indeed until the fruit is so soft that it is beginning to disintegrate. Tip the contents of the pan into a sieve and rub gently with a wooden spoon to extract the pulpy juices.

Put the pulpy juices into the rinsed out saucepan. Stir to sugar to taste and melt over low heat. Mix the cornflour to a creamy paste with about four tablespoons of cold water. Gently and thoroughly stir the paste into the sweetened gooseberry juices and bring to the boil, stirring continuously. Boil for one minute, still stirring, to thicken the mixture slightly.

Let the kisel cool for several minutes (stir it every now and then to prevent a skin from forming) then divide it between eight small glasses. Store in a cool larder until completely cold and set to a soft trembling jelly. Spoon over and refrigerate until ready to serve.

### THE WINES OF Umbria

Like the small, landlocked region itself, have tended to lie in the shadow of the larger, internationally better known wines of Tuscany. In the same way as the wines of Bergerac are overshadowed by adjoining Bordeaux and largely sold by its merchants, so the Florentines, directly or indirectly, have controlled much of Umbria's most familiar wine, the white Orvieto.

The best-known producer is the distinguished house of Antinori, based on the Castello della Sala, near the charming cathedral city of Orvieto; and the local trade body, the consorzio, is dominated by such well-known Chianti firms as Ricasso, Melini and Ruffino.

The largest vineyard owners are Bigi, formerly owned by Antinori, but now part of the very large, Swiss-based Wine Food group. About 50 per cent of Orvieto is bottled outside the area, and traditionally it has been used in export markets by the Tuscan trade to complement the red Chianti.

In addition, of course, there are a number of purely local firms, including Barberani, Barbi, Cotti, Vasselli and Le Velleto, whose wines may be found on British wine lists. They appear to have been influenced by the initiative and investment of Antinori and Bigi. For the most encouraging development has been a negative one: the abandonment—generally—of "pasteurisation," which deadens white wines. Up to ten years ago it was nearly universal. So the dry white Orvietos, made from Trebbiano (50-60 per cent), Verdello (20 per cent) and a balance of

Edmund Penning-Roswell finds the wines of Umbria 'now much fresher and crisper'

Grechetto, Malvasia and Drupeggio, are now much fresher, crisper wines.

There is also said to be some revival of the medium-weight obocato, the wine popes traditionally sent from Rome, but starting in the years between the wars, demand for sweet wines caused Orvieto to "go dry." (Not, I think, very comfortably, until modern techniques made Orvietos more attractive.)

It received its DOC rating in 1971 with two zones: Orvieto Classico, in the original vineyard area centred on the city; and plain Orvieto both to the north and south of this middle district.

At least 50 per cent of all Orvieto is exported; Germany and the US are the largest markets. Most merchants in the UK list a Classico, usually with an unannotated catalogue entry that does not inspire much enthusiasm among wine drinkers, more of whom probably know the name than have ever drawn the cork of a bottle.

In a recent visit I particularly enjoyed the clean, fresh, Antinori and Bigi wines at around £3.25 to £3.75 here: excellent young-wine summer drinking.

It is even more encouraging that, as in Tuscany, experimentation with plantings of other grapes has been taking place. At Sala there are now 20 ha of

### Umbria shows its colours

cent of Canaiolo. This comes, like all the Rubesco Riservas, from the prized hillside Monticchio vineyards. A DOC rating has been applied for the Riservas from there, with good cause.

Overall, more white grapes are planted than red, including Chardonnay and Pinot Grigio. The best Chardonnay di Miraduolo is from the I Palazzi vineyard and forms the Riserva. I found the 1983 to have real Chardonnay, oaky character. Ex-cellars, it is the most expensive Torgiano wine apart from the older Rubesco Riservas: £5.700 (about £2.40).

Otherwise I think the reds are the more successful. I found the Torre di Giano a little characterless, though one cannot complain at a price of £3.500 (about £1.60) for the 1984 or the 1985, though the 1982 and 1983 Riservas at £5.200 have more to them. Nor did I particularly care for the Pinot Grigio—but then elsewhere it has impressed me less than it does many Italianos. The Cabernet-Sauvignon 1979 and 1980 have almost too much character: wines of enormous colour and concentration, with a good deal of tannin and some acidity that should fall. Yet the flavour is certainly distinguished.

However, the distinctive wine is the Rubesco, especially the Riservas, of which I had a cellar tasting, preceded by a normal 1982 which was rich and round. This will have had one

whereas the Riservas have 18 months in wooden bottles and two in bottle. I sampled seven vintages from 1977 to 1986. The 1977 was a wonder, fully rich, round wine and should last for years. The 1978 was drier, and though Dr. Langa said he generally preferred it to the 1977, this bottle was less rounded.

The 1974, from a minor year, had a brown tint, a fine nose, but was a little lacking in character. The 1973 had much more aroma and a very concentrated flavour: a complete wine, mature but less concentrated. The 1969, with a fine old bouquet and flavour, reminded me of an old Chianti, but the 1966 had more colour, a "caramel" nose, and was still rich, with lots of flavour. Of the 1977 was listed, at £10,800 (£4.50). Here in Britain, it might be nearly double that price, but well worth it for the quality.

Among merchants who list Torgiano wines are Buckingham Wines in the Fulham, Kensington and Great Portland Street branches in London, Hicks & Don of Westbury, and some of the Peter Dominic branches.

Not the least attraction of a visit to Torgiano is the Le Tre Vasselli hotel, built by the Langa family. It has an excellent restaurant in which Langa wines alone are served. These include a miche of sparkling wine, a sherry-style aperitif, Solinas Dry; a rose and a Vin Santo. Just up the street is a wine museum, collected and beautifully arranged by Signora Langa, and down the street

## DIVERSIONS



## super market

## The originals

SOME OF the most charming shops are those that have been there longest and every resident of Covent Garden preys that they will never be swept away by the tides of modernisation and profitability.

F. W. Collins at 14 Earlham Street is the kind of old-fashioned ironmonger that has all but vanished from England. There sits Fred Collins, as his father, grandfather and great grandfather did before him, selling to a grateful public as little as a single padlock, a few yards of rope, an aluminium dustbin, a zinc bath, a hammer or even just four rubber feet to put on the bottom of kitchen

chairs to stop them scraping the floor.

His Nibs at 182 Drury Lane has been there for 55 years and it looks like it. Before you go into the shop, look up at the carved wooden pan above the doorway, then admire the amazing collection of nibs in the window. Inside is a feast for the eye, with fascinating details in almost every corner. It is, as you will have gathered, the shop for those interested in the art of writing, the place for fountain pens and nibs, for quills (much in demand among the graphic artists in the area and used for calligraphy as well as pen and ink drawings), for inks and sealing wax, for paper and books.

Then there's Mr Portwine,

the butcher, at 24 Earlham Street. A Mr Portwine has been there at least since 1780 and though young Graham Portwine doesn't go in for too many fancy modern cuts he has that old-fashioned desire to be of service and so he'll do his best to get you anything you want.

Edward Stanford at 12-14 Long Acre has long been a traveller's best friend, purveying the largest collections of maps, charts, guidebooks and atlases to the country. It is probably best-known as the most reliable source of that ambler's friend, the Ordnance Survey; what is perhaps less well known is that its Department of Overseas Survey sells the best maps and charts to all those countries that once were painted pink on the map.



His Nibs sells pens to women too

## Workshops

ONE OF the charms of the central market is that you can often meet the person who designs and makes the object you hope to buy and tucked away in the back streets there are flourishing workshops that offer similar pleasures.

In Stukeley Street, for instance, one of the least commercialised of all the backstreets, there is Luke Hughes & Co, where three cabinet-makers, Luke Hughes, Mark Adams and Marcus Cresswell-Turner, have their workshop, make a range of fine and simple oak bedroom furniture as well as making almost anything anybody cares to commission. There is a showroom on one side of the road and the workshops (Bloomsbury Joinery) on the other.

Besides a fine and elegant screen, and some standard club fenders, they are particularly proud of their tables—all made from good, solid, English hard-

wood, usually based on the principles of the English refectory table, finished with about 40 coats of linseed oil and designed to last forever.

Next door to Luke Hughes and Co is Charlie Victor who makes his own particular brand of designer clothing in the workshops at the back. Nice crisp shirts and softly casual jackets seem to be his look for summer but he's worth talking to if you have something different in mind.

To Long Acre, at number 65, is The Glasshouse, where there is a shop at the front selling high-class studio glass (at a price) and a glass-blowing workshop at the back. If you've ever wondered how those amazing shapes and colours were achieved this is your chance to find out.

Though most of the prices may seem high to those accustomed to factory-made glass, it is worth remembering that glass-blowing is a highly-skilled craft and that every piece is a one-off.

## Second hand

Redress at 51 Endell Street, was one of the first shops in the area to specialise in second-hand clothing and though the selection is small, there are always some smashing hats (fine materials, beautifully made at prices starting from £5—you could buy a marvellously seductive black felt cocktail hat for as little as £15), a selection of fine white blouses, some lace, some plain, lots of shoes and, of course, dresses from the 30s and 40s, some earlier.

American Classics, 20 Endell Street, is very new but what a find. The best white cotton shirts (intended for men, but there's no reason why women shouldn't wear them)

In town—at prices like £7 and £8, they are almost too good to turn up.

There's a vast assortment of authentically old and tattered jeans (if, like me, you're surprised that people want them, you will learn that any jeans made before Levi closed down the last factory that made denim with the authentic original seaming have acquired a cult status and hence a cult price). Two-button Levi jackets with pleating and bar-tacking sell for £150—the older and more tattered, the better.

Sam Walker, 41, Neal Street, sells second-hand clothes for men, but of the more traditional variety. The shop itself is beautifully done, all the shirts are washed and in their own cellophane packets, the jackets clean, the suits well-pressed. If

Lucia van der Post



you're finding the current best excessive, go to Sam Walker for creamy summer linen jackets—a whole rail all at £25 a time. There are suits from £35, shirts at about £12 and it looked like a good place to search for dinner jackets and tails.

## Etcetera

The Natural Shoe Store, 21 Neal Street, is the place to buy your Bas Wejuns loafers, your natural leather boots and, if you must, your Danish clogs.

The Bead Shop, 43 Neal Street, is the place for those who believe in making their jewellery at home. Certainly, they need not look for choice of beads and shell from hand-painted ceramics to bright sparkly glass ones.

Patricia Roberts, 31 James Street, has had an even higher profile since she won the Duke of Edinburgh's special design award for her fair, imaginative and beautiful designs. This is the shop to buy the wool to make up the pattern that will give you the Patricia Roberts look at less than the designer prices.

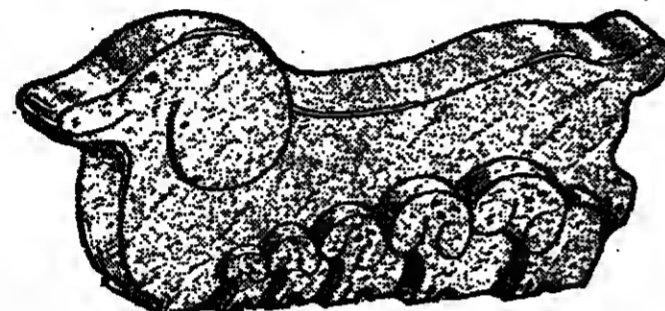
Anelle & Davide, 35 Drury Lane, is a good old-fashioned shoe shop and this branch mainly serves the theatre world all around it. Ordinary mortals go for the Victorian buttoned boots. There are also plenty of sturdy, sensible shoes for men.

The Hat Shop, 58 Neal Street, is a mecca for the hat-lover. Here they will trim and retrim your hats, sell simple

panamas, boaters, trilbys and berets as well as more modish shapes like cloches and drooping Gerboese numbers.

Countrywide Workshops, at 177 Drury Lane, is the first retail outlet for the Countrywide Workshops Charitable Trust and the first chance for people to see easily for themselves just how good the quality of the products is. Everything on sale and on show has been made by a disabled person but what comes across is the vitality of the objects. They are all made to order, but almost all are repeatable items. It's a good place to hunt for presents—look out for the charming children's smoked dresses, the hand-made wooden toys, the leather bags, the warm country sweaters.

Penhaligon's at 41 Wellington Street, is one of the most charming perfumers I know, gently and skillfully pervading an air of unrestrained nostalgia which, given that it is one of the oldest perfumers on the scene, speaks of quite a lot of chutzpah. Still, Hermès Bouquet is an old, old scent and most of the floral scents are in a very old-fashioned mood—no strong, chemically-based scents to be found here, just gentle floral essences, most with matching soaps and talcs, oils and soothing lotions.



Left: Handmade shoulder bag in pale English hide, 4 sizes and styles, from £36 to £43.80, from Countrywide Workshops, at 177 Drury Lane, WC2. For a mail order catalogue send £1.50 (in cover p + p) to Countrywide Workshops, which is a charitable trust selling the work of blind and handicapped people. Above: Solid mahogany dachshund puzzle £9.70. Right: Liberty cotton smocked child's dress. Many colours and patterns available, for ages six months to about ten years, £24 to £30. All from Countrywide Workshops.



Ann Winterbottom

roses (£2.50), the rare shrubs (£1.50-£4.00) and their increasing range of special hardy plants (up to £1) are worth a punt.

Asteranthus, in fact, is a fast-moving climber from Argentina; it sounds charming, though you

may find that it uses its hands, not its feet, on the way up. Billardiera is a quieter plant with pleasant leaves like a vigorous Jessamine. Its charm is said to be its berries in late autumn.

I wonder whether the

## Gardening

Robin Lane Fox at a nursery with a line in trouble-free roses

## No even breaks for suckers

IN EARLY July, my gardening is a battle between suckers and climbers. So, perhaps, is your social life, but in my case I cannot make the climbers go smoothly upwards and I cannot stop the suckers sneaking in behind them and filling them with thorns, prickles and unwanted, pale flowers.

Smooth, swift climbers and sucker-free roses are two of the things which I tend to think are reserved nowadays for paradise. They are a minority taste, big growers tell me, and therefore uneconomical. Personally, I think they are the majority's dream, especially if they knew they were available and were told they could trust them.

I have now killed both these elusive dreams with one stone, rather, with one nursery in Stone, a Worcestershire village near Kidderminster. At Stone House Cottage nurseries James and Louisa Arbuthnot sell a remarkable range of shrubs, hardy border-plants and climbers, many of which I could not be confident of recommending. They also sell sucker-free roses.

Above all, they have planted the walls of their own adjacent garden with many of the climbers they sell. Before you buy them, you can see their abilities, proven on a Worcestershire wall.

Perhaps you can already tell an Asteranthus from a Billardiera and know exactly which

you want. If, like me, you have little idea, Louisa Arbuthnot will tell you which will suit you better and produce it from one of her polythene tunnels, endless cold-frames and the thousand and one pots which she maintains, along with various children, sheep and an enchanting garden of considerable size.

English women's gardening has had great attention lately, but my own bet goes on Louisa Arbuthnot as the heir to the younger generation to the well-known name of the past. She is probably a better propagator than any of them.

She and her husband met on a weekend at the Wisley fruit group, a fitting venue for the cross-pollination of two keen

gardeners. In the growing season, they run the nursery, family and garden with next to no help in the winter, she catches up on labelling, while he busies himself with brick-laying, adding some ootie to towers to their walled garden.

They issue a tantalising list, but refuse to supply plants by post. Until December 1, they are open to visitors from Wednesday to Saturday, 10 am to 6 pm. "We are not a garden centre," their nursery list insists, and visitors can contribute to a collecting-box for Ethiopia.

You have to enjoy rummaging around on your own and decoding the Arbuthnot labelling system and its gaps. The climbers (£2.50-£4.00), the

LIKE FARMERS, gardeners are in constant battle with the weather. One moment it is too cold, another too hot; the soil races from a condition of being too wet to be worked, to being too dry to be planted. Of course, we all exaggerate, taking delight in dramatizing the situation and displaying our own regulation in adversity but it is certainly a fact that most summers, even in cool and cloudy Britain, there are numerous occasions when an extra water supply will do a lot of good in the garden.

Gardeners frequently tell me that they never water because it does more harm than good. Let plants forage for themselves, they say, and they will soon learn to direct their roots downwards in search of water. Pamper them too much and all the roots will be near the surface and then we betide them when, for some reason or other, the generous water supply is discontinued.

I regard this as an argument in favour of making quite certain that the water supply can be kept going than for not giving any extra water at all. Market gardeners, who are dependent on having good crops, know this full well and are prepared to invest large sums of money on irrigation. It is possible to spend quite

sprinklers for watering lawns, can be very labour saving. If properly installed they are also very efficient but turf can be watered just as effectively to other cheaper ways, some of which are more adaptable for use all round the garden.

I have used all manner of watering devices, from porous pipes which allow water to ooze out so gently that not a leaf gets wet to impulse sprinklers which throw a great plume of water right round a full circle or over any segment of a circle. The nozzling pipe, which I have not seen on sale for some time, can be very useful among alpine or grey-leaved plants, many of which are accustomed to getting most of their water from below with little falling from above. Impulse sprinklers are popular with large-scale vegetable growers who want to apply a lot of water quickly. It is the sprinkle systems between these two extremes that are of greatest interest to most gardeners and they divide roughly into two types, rotaries and oscillators.

Rotaries are usually spun around by the force of the

Arthur Hellyer writes that hot, parched plants do need watering, and surveys the equipment available, from sprinklers to the small hand-operated sprayers which stop you from overdoing it



and, if they do stop spinning, it is usually because a jet has become blocked, a fault that can be rectified very quickly with a pin or a piece of fine wire. The two shortcomings are that they do not always give a very even distribution and that the water is thrown over a circle, whereas most gardens or garden plots are more or less rectangular.

The oscillator overcomes these difficulties by throwing a fan of water backwards and forwards, so covering a rectangle the proportions of which can be altered,

the tap, partly by altering the swing of the oscillator by turning a knob which adjusts the lever operating it. Power comes from the flow of water over a cogged wheel inside the sprayer. It usually works faultlessly for years but it is not quite so simple and fool-proof as the rotary sprinkler.

The latest development in rotaries is the Pioneer from Hozelock which not only spins but also gyrates so that the water is buried deep and far. It has three alternative nozzles, any one of which can be

mounted. I am impressed by this sprayer as it does give a very even distribution of water which comes down almost vertically like rain, so giving good penetration through foliage.

Like conventional oscillators it is the flow of water over a gear system within the machine which operates it and I am not too clear how one could get at this should anything go wrong but the head can be unscrewed easily to enable the nozzles to be kept clean.

The most important thing about watering is to give sufficient. It is easy to make the surface deceptively wet and leave the plant roots unsatisfied. With most sprinklers, it is necessary to let them play for at least an hour on each area watered. If in doubt, wait for about an hour after watering and then dig a hole with a trowel. You may well be surprised at what you find.

Spraying also requires suitable equipment and I find that my own choice has undergone a considerable change in recent years. I used to look for machines that would hold at least half a gallon and I still

them much less than I used to. Instead, I do a great deal of spraying with the cheapest of all equipment, the little plastic trigger-operated sprayers, some of which can be purchased for less than £1.

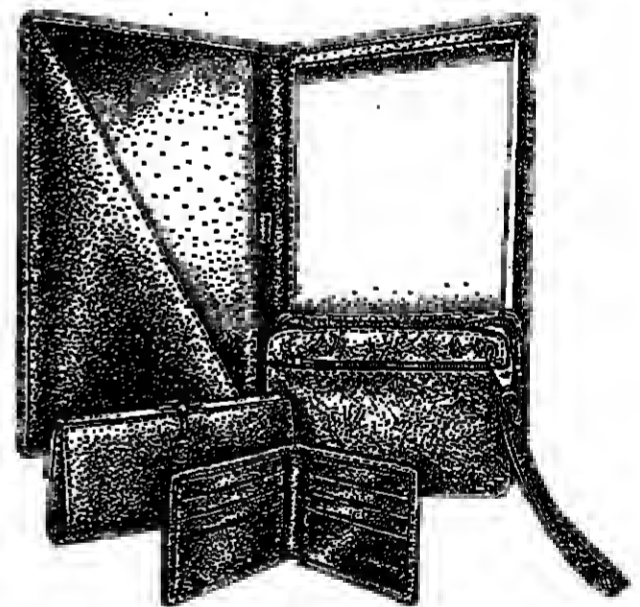
The plastic pumps do not last very long, perhaps three or four months, but at some shops it is possible to buy replacement pumps without the containers and even if one throws the whole thing away when it starts to give trouble, the cost is insignificant.

What has converted me to these mini-sprayers is that they do not tempt one to spray too much. When you have fixed up a gallon spray you are apt to feel that you must use it up while it is fresh. With a mini-sprayer you can mix half a pint, spray the dozen or so plants that really need it and throw away anything that is left. If economies on chemicals saves money and reduces the risk of harming plants or creatures.

These cheap, one-hand sprayers do not, as a rule, have adjustable nozzles and they vary quite a lot in the size of water droplets and width of spray cone produced. I like to have two or three around, differing in these characteristics so that I can choose one to suit the work in hand, a wide fine spray for fungicides, a narrower, more

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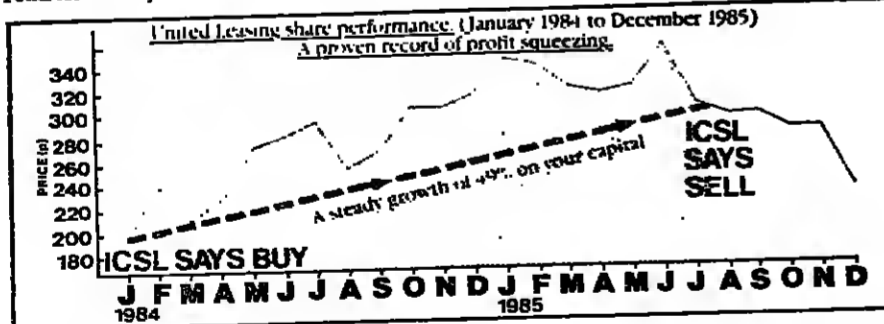


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# Discover how to squeeze the maximum profits from the stockmarket...

On Wednesday 4th January 1984, a number of investors were personally sent letters from the offices of the IC Stockmarket Letter discussing, among other things, the fortunes of United Leasing.

After analysing changes in United's accounting policy, the growth of its foreign subsidiaries and its close association with IBM, the author urged readers to buy shares at 200p each.



Ten weeks later, when the share price had already risen by 10%, United was awarded an "A" grade rating by the correspondent.

His predictions were well-founded for by the beginning of July, as investors were informed by post, the share had risen to 292p. And despite a slight dip of 27p over the next two weeks, readers were reassured that the year ahead looked "very promising."

Exactly twelve months later, the advice changed abruptly and the author of the letter expressed growing concern about the shares; "...the shares may struggle for a while," he wrote, noting IBM's own moves into the leasing market. At this point the price was 298p and investors were tipped to sell.

As the graph above shows, the share price which had been climbing began a slow decline. At the end of June 1986 it was down to 155p.

But had you been one of the recipients of the letters concerned, following the recommendations closely, you would have realised growth of 49% on your capital. In other words, for each £1,000 invested, you would have received £1,490 back.

The advice about United Leasing is very typical of the precise investment suggestions which come from a well-known City figure - Jack Easterbrook. Sent out by first class mail every

Tuesday evening, the IC Stockmarket Letter contains four closely-typed pages of detailed information on U.K. shares.

The IC Stockmarket Letter is not sensationalist. It is a 'tip' sheet whose recommendations are based on a combination of sound analysis and stockmarket 'feel'.

Indeed, you have only to examine our track record on any area we cover, from New Issues, to the Unlisted Securities Market, to see how we aim to squeeze the greatest possible profit from every situation.

### The statistics which make up our success.

The IC Stockmarket Letter has been assisting investors for thirty-nine years, and while longevity is not in itself proof of our success, it is certainly an indication of our continued popularity.

For absolute confirmation of our ability to help make you money, you may prefer to look at the statistics.

- By following our advice on promising New Issues you could have realised incredible profits. Backing Alexandra Workwear, for instance, would have earned you £3,200 for every £1,000 invested. £2,340 for £1,000 worth of shares in Park Hall Leisure.

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Media Tec	15.11.85	+62%	£1,620
Magnox	20.11.85	+97%	£1,970
WW	2.10.85	+61%	£1,610
Bridon	30.10.85	+3%	£1,030
Bopak	23.10.85	+10%	£1,100
Chapman I	9.10.85	+30%	£1,300
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Nardin Peacock	2.10.85	0%	£1,000
Platinum	23.10.85	+130%	£2,300
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Acis Jewellery	4.9.85	+22%	£1,220
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IC Stockmarket Letter

Self is 100



Married to a genius

LEAVES OF THE TULIP TREE by Juliette Huxley, John Murray £12.95, 248 pages
WHAT WAS it like to be married to Julian Huxley? Any one who may have pondered this question will find the answer here. The author married Huxley when she was 22, bore him two sons, remained with him as a supportive spouse throughout his varied career, until he died aged 85 in 1975. They first met at Garsington where Juliette Bailliot, she then was, a ravishingly beautiful Swiss girl, was employed as governess. Here was an ingénue who might have stepped out of a play by Giraudoux, set down in the midst of the most worldly, the most intellectually and sexually competitive society in England. God protects the innocent, we are told. How long would the inherited rigour and pieties of the cantons hold out against the likes of the young Bertie Russell? Quite a while it would seem; at the same time Mlle Bailliot made a lifelong friend of Lady Ottoline. The Swiss miss was not one to bite the hand that fed her, as did so many of the permanent house-guests at Garsington. Her admiration for Ottoline remains staunch and eloquent. However, no one could be exposed to that ambience by day and night and remain for ever unaffected. Under the influence mostly of D. H. Lawrence, with his sensual descriptions of nature, his heady world of freedom from conventional principles, my Calvinistic background exploded into fragments. I read insatiably.

Anthony Curtis

Uncannily true predictions

THE HIDDEN POWER by Brian Inglis, Jonathan Cape £10.95, 312 pages
ARE THE ghosts beginning to walk again? I ask in all seriousness, for my own opinion was that we were hearing less of them than we used to. Fewer haunted houses, fewer things that go bump in the night; a great deal about the media but not so much about the mediums. But here comes Brian Inglis, a serious writer, heaven knows, devoting a whole substantial book of 312 pages to the subject of PSI, which is another way of speaking of the paranormal. So it seems that we have not heard the last of the spooks. On the contrary, they are very much alive. Certainly, I should have remembered, for instance, the activities of Uri Geller, the spoon-bender, and the painstaking but finally productive researchers of J. B. Rhine at Duke University. Rhine discovered that a few of his students had the ability to "see" concealed cards as he turned them up. While the expected scores were "hiss," they consistently scored seven. Either Rhine and his imitators at other universities were cheating or this was a clear case of extra-sensory perception, clairvoyance, telepathy or what have you. The Rhine experiments had some odd results. For example, some subjects guessed the cards correctly but one step ahead of the series. This variation was, in its way, as impressive as any of the Rhine results. For who would bother to cheat in order to get a consistently "wrong" answer? The advent of Uri Geller came about 40 years after Rhine. At a time, in fact, when Rhine was largely forgotten, taken for granted or assumed to have been discredited. Geller, a young Israeli, could bend keys and forks merely by "sensing" them. The obvious explanation—that Geller was a charlatan—became increasingly hard to sustain. A newspaper reporter, interviewing him, produced her doorkey which he did not touch—"but it was possible to feel the movement of the key as it bent upwards through 45 degrees in the course of two or three minutes." Puzzling, admittedly. After being greeted with mystification—and abuse—both here and in the United States, Geller seems to have faded from the public eye. What is he doing now? Mr Inglis thinks that he has gone into the business of finding seams of gold and has become a multi-millionaire. If that is so, then Geller has been luckier, or more gifted, than most paranormal practitioners. A performer at card-guessing who averages seven correct guesses out of 25 instead of five is considered "brilliant," so "When people ask why those able percipients do not get rich by telepathing directors' meetings and then playing the stock market they do not know how small an advantage the best available telepathy of the modern age provides." Inglis devotes a considerable fraction of his book to attacking scientists for their bigoted hostility to what used to be called "spiritualism." But the table is turned, according to the champions of parapsychology, by their mere presence, prevent anything psychic from happening. In these circumstances how is it possible to obtain the objective conditions which scientific experiment requires? "As long as there are sceptics who deny the possibility of PSI, there never can be a single completely convincing experiment." Parapsychology is admittedly more "respectable" than spiritualism used to be. It has cost off the trappings of a quasi-religion. But in doing so it seems to have lost its raison d'être. It no longer pretends to put us in touch with the departed. But what does it do? What is the use of PSI?

George Malcolm Thomson

BOOKS OF THE MONTH

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MONTY: THE FIELD MARSHAL by Nigel Hamilton, Hamish Hamilton, £15.00, 998 pages
THIS IS the third volume of a notable trilogy. Mr Nigel Hamilton deserves to be congratulated on the completion of a task on which he has spent many years of toil and research. He can legitimately feel like Gibbon on the completion of his magnum opus: "I will not dissemble the first emotions of joy on the recovery of my freedom and perhaps the establishment of my fame." But he may also like Gibbon feel "a sober melancholy" at the idea that "at this taken an everlasting leave of an old and agreeable companion." There can never be a definitive life of anyone, but these three volumes come as near to that achievement as possible. It is safe to say that they are most unlikely to be superseded in the foreseeable future. It can be argued that the author tells the story at too much length. Certainly the latest volume, like its predecessors, is not exactly bedside reading even apart from its size and weight. But the biography will always be an indispensable work of reference, and that is something. The volume begins after the Normandy break-out in August 1944. At this stage the Germans were temporarily in total disarray with only 100 serviceable tanks to oppose the Allies 2,000 and only 570 aircraft against over 14,000. The opening sentence reads: "Could the war against Nazi Germany have been ended in 1944?" This has always been the critical question and it will go on being debated for all time. The "ifs" of history can seldom be decided but it seems clear that the answer in this case is yes. Monty was undoubtedly right to press for a narrow single thrust north of the Ardennes to the Ruhr under his own command, but a similar thrust in the centre between Mainz and Karlsruhe under General Bradley might also have succeeded. The fatal mistake was to pursue the "broad front" approach favoured by General Eisenhower, but more on political than strategic grounds. If Montgomery was right on this, he was certainly wrong on some other matters. The Arnhem episode was futile and

Swan song of a good soldier

Lord Blake reviews the finish of a great biography

would never have gained much in strategic terms even if it had been tactically successful. An even graver error was his failure to clear the approaches to Antwerp. This was a matter on which Eisenhower should have given categorical orders but the omission does not excuse Monty. There was a deeper difficulty which the author, who is an admirer but by no means an idolator of his subject, brings out very clearly. Monty's behaviour towards Eisenhower and the American top commanders was insufferable. He was arrogant, rude, noisy and totally devoid of tact. At a time when the American forces amounted to 80 divisions and the British to 16, it was simply "not on" for a British commander to dictate strategy. He could try to persuade, but Monty was not a persuasive figure. Eisenhower had to put up with much and was always polite. Like him he must sometimes have been astonished at his own moderation, but diplomacy and courtesy are not enough even for the commander of the forces of two nations with such prickly characters as Montgomery, Bradley and Patton to be reconciled. Eisenhower, indecisive and procrastinating, missed a golden opportunity of winning the war in 1944 for fear of giving offence. The price was another eight months of misery, starvation and disease in Europe and the loss of millions of lives. The story of the 1944-45 campaign which ended the war in the West is fairly well trodden ground. No startling revelations are likely but Mr Hamilton throws much light on details. He gives the fullest account so far of Monty's disastrous press conference about the Ardennes offensive on January 7 1945. The episode was not as was popularly believed, an unauthorised personal initiative. It had been cleared at the very highest level with Eisenhower, Brooke and Churchill but, in view of Monty on Eisenhower's orders having temporarily superseded Bradley in command of the Ardennes battle, any press conference was likely to hurt the feelings of the American general and his staff. A conference given by someone who had the tact of an elephant was certain to do so. Where we are on new ground is in the author's treatment of his subject's post-war career as Military Governor of Germany, Chief of the Imperial General Staff, Chairman of Western Union Command, and finally Deputy Supreme Commander of Nato till he retired in 1958. It is not too much to say that this is the first full account of Britain's military affairs during that period and the book is essential reading for the historian of modern times. Montgomery was a disastrous Chief of Staff — impatient, contemptuous and totally unfit to do a job which needed team work above all else. He confused the role of Chief of Staff with that



of Commander-in-Chief and behaved with a folie de grandeur which almost surpasses belief. Monty was far more successful in Western Union Command and as Deputy Commander of Nato — "Nato's Blacksmith," as the author describes him. Monty was a very strange character. He quarrelled with his younger brother; he cut his son out of his will and the King's Private Secretary asking the King to give him "quite a small house; seven or eight bedrooms." He saw nothing of his son when on the verge of publishing highly critical commentaries on Eisenhower's generalship. As the author shrewdly observes, he had many of the traits of Nelson and was at times in a state of mind akin to madness. But Nelson was a great man, a great biography and he has got it.



Jill Delay: accomplished debut with a short novel

Sicilian's defences

Fiction
THE GENTLE TOURIST by Jill Delay, Andre Deutsch, £9.95, 104 pages
A DANCE FOR THE MOON by Richard Klein, Jonathan Cape, £9.95, 173 pages
WOMEN OF A CERTAIN AGE by Colleen Klein, Corgi, £9.95, 145 pages
THE DONE THING by Patricia Angadi, Corgi, £9.95, 245 pages
JILL DELAY'S The Gentle Tourist is a first novel; very short, without wasted words or feelings. Lorenzo D'Ayala is Sicilian, elderly, recently widowed after a long, uneventful marriage; an archivist in the local Institute of Fine Arts; with an unloving son in Milan, therefore much on his own in Palermo. First the maids leave, so the large apartment grows dirty, then, when a new broom from Rome takes over at the Institute, D'Ayala is sacked. There follow sexual fantasies, depression, and efforts by his daughter-in-law to have him taught geriatric bridge. The only memorable connection with the past is his friendship with an Austrian Jewish publisher, George Caplan, now in London, ill and calling for him. Since his mother was English, D'Ayala knows the ropes in an Anglo-Saxon world, has even inherited her blondeness and height. Dying, Caplan bequeaths his friend what he holds dearest. D'Ayala's life has been almost empty not just of incident but of feeling, of worthy involvements with others: a disappointing marriage, an unapproachable, unattractive son, only the intermittent friendship with far-away Caplan to recall with affection and warmth, the only relationship with point and purpose, with richness. Clinging to that, with an intuitive sense of what matters, he homes in on a new life. The novel is formed kaleidoscopically out of fragments of action and experience, from the past (David's schooling, then his war, the present (1930), various people in various places; all knitted together by poems, supposedly David's. Brief and abrupt but persuasive; a sort of mirror-image of David's inner turmoil, outer calm. He cannot adjust to life after bell, but neither can he adjust to modernity—a Georgian poet be is and remains, though a single line of Eliot stirs a single response, and he knows (and heartily dislikes) Lytton Strachey. A disconcertingly quiet novel, about the underlying violence of feeling, and the postwar death, for some, of hope and peace. Colleen Klein's Women of a Certain Age, Australian, is cleverly observed, with changing suburbs perfectly in its sights. The rich, much-married matrons (homelier than Dallas but dressier than their English equivalents) are at odds not so

Golden Temple grief

AMRITSAR: MRS GANDHI'S LAST BATTLE by Mark Tully and Satish Jacob, Jonathan Cape £10.95, 224 pages. (Revised edition appearing in September from Pan)
Sikh SEPARATISM: THE POLITICS OF FAITH by Rajiv A. Kapur, Allen and Unwin, £20.00, 272 pages
IN THE past three years the world has become aware of the growing demands by militant Sikhs for their home state of Punjab in Northern India to become an independent nation called Khalistan. The demands led in 1984 to the Indian Army storming the Sikhs' sacred Golden Temple complex in Amritsar and the subsequent assassination by Sikh security guards of Mrs Indira Gandhi, Prime Minister. Now Rajiv, her son and successor, is grappling with the same problem, trying to find a formula which will calm the political tensions, rehabilitate several thousands of disenchanted Sikh youth who provide the foot soldiers for the extreme Sikh leaders, and may be one day end the terrorist attacks which are spreading fear across the Punjab and nearby areas, and are forcing public figures to live under the constant threat of assassination. The present crisis is the direct result of political intrigue, double-dealing and pragmatism which thrived under Mrs Gandhi. But the seeds of the discontent go much deeper and further back into history, starting in the 15th century with the foundation of the Sikh's religion, separate from but then still close to India's majority Hindu religion. The most authoritative account, still unsurpassed, of the historical background is a two-volume History of the Sikhs (Princeton University Press, 1966) by Kishwant Singh, an elderly, highly respected, sharp-witted and controversial journalist. Two recent books take the story on from Kishwant Singh, one with the sharp independent eyes of two journalists and the other with the closely-focused painstaking detail of a PhD candidate. The first is Amritsar, by Mark Tully and Satish Jacob. It will appear in September in a revised (Pan) edition. Mark Tully, born in Calcutta, has over 16 years as the BBC's New Delhi correspondent become a legendary figure. He is relied upon across South Asia by listeners to the BBC's World Service for impartial, accurate and comprehensive news. With his Indian assistant, Satish Jacob, Tully provides a detailed story of the build up to the 1984 crisis, concentrating on the period from the mid-1970s. He pulls together and explains previously scattered accounts and accusations about Mrs Gandhi and her entourage. He firmly blames her late son, Sanjay, and India's current Sikh President Mr Zail Singh, for coming in for the assassination of the young Sant Jarnail Singh Bhindranwale, the most important extremist who was killed in the army attack on the Golden Temple and is now an inspiration to Sikh youth. The book, by Rajiv Kapur, called Sikh Separatism, is valuable because it shows the depth any history of the problem of Sikh identity as it has built up over the past century. It underlines how difficult it is to solve those thorny religious problems which begin with calls by minorities for a separate identity, then take on religious overtones so that politics and religion become inextricably mixed, ending in the 1980s with rampant terrorism. South Asia, as it moves towards the end of its first 40 years of independence from British rule, is full of such problems, some of which were exacerbated during the days of the British. The other most serious example is the call by Tamils in Sri Lanka for a separate home land. To demand is also complicated by religion — the Tamils are basically Hindus, though they include many Christian converts, and their opponents are staunch Buddhists, scared of losing their identity in a largely Hindu subcontinent. Of the two books on the Punjab, Mark Tully's is the most immediately interesting, although it does not properly penetrate the personal ambitions and responsibility of Mrs Gandhi. It also largely ignores the over-riding Punjab problem of a lack of economic development which has fuelled disaffection among the young in one India's most prosperous states. Kapur's book is a rather expensive, but fascinating analysis of the politics of the growth of religious identity. But because it is based on a PhD thesis of limited scope, it lacks a proper analysis of Sikh history in past centuries or a full account of the past "three years."

John Elliott

Scandalous affairs

A TANGLED WEB: SEX SCANDAL IN BRITISH POLITICS AND SOCIETY by H. Montgomery Hyde, Constable, £12.95, 380 pages
LORD MELBOURNE, one of Britain's nineteenth century Prime Ministers, had a taste for flagellation. He thought that he had not been flogged enough at school. In particular he recommended the whipping of young girls, something which was apparently quite common at the time. "All mothers and governesses," he wrote to a lady friend, "should not fail to whip all refractory and disobedient children, being convinced that this would be attacking the evil at its beginning and that their insubordination arises from the dross of that wholesome discipline." There are all sorts of other letters, written and received by him in the same vein. Lord Castlereagh when he was Foreign Secretary used to walk home from Parliament to his house in St James's Square and sometimes fell for the veiled at the moment of undressing to be a man. It was a trap. Blackmailers had got into the room and accused him of being about to commit "an act from which nature shrinks in horror." The subsequent extortion led to Castlereagh's suicide. Lord Palmerston as Foreign Secretary tried to rape one of the Queen's ladies-in-waiting while staying at Windsor Castle. It was a mistake. He had gone to the wrong bedroom and not to the lady who was expecting him. The matter was hushed up, though not without being drawn to the attention of Queen Victoria. All these tales and many more are included in Montgomery Hyde's latest book. One of the best concerns Sir Leo Ciozza Money, the man who invented the concept of wartime shipping convoys. He was twice hanged up for kissing a lady—once on a park bench, the other time on a railway train. On each occasion it seems that he may have been innocent even of that offence, but the story shows how far the police will sometimes go to bring sexual cases before court. Montgomery Hyde, refers to the splendidly named Lord of the Manor of Cheltenham, who represented Cheltenham in the House of Commons intermittently from 1874 until his death 54 years later. He was a homosexual, but there was never a hint of scandal. Unfortunately we are told no more about him. That is unlike Tom Dribble, the journalist and Labour MP, whose story is told at some length. So are most of the other modern sexual scandals. Keeler, Vassall et al. The most touching apart from Profumo, who has made up for it by good works in the East End of London ever since, is that of Ian Harvey, a Tory MP and Under-Secretary for Foreign Affairs, who ran into a guardman one night in the Mall in November 1953 and was caught by the police in the park. He paid the guardman's fine, but it was the end of his political career. The book does not have much of a theme and is more a compendium of salacious stories.

Michael Coveney talks to Terry Hands about the RSC

## Stratford plays the Swan

AS FAR as Trevor Nunn is concerned, there is only one Swan song to be intoned at the moment, that of the 444-seater third Stratford-upon-Avon auditorium which moves into middle gear next week with Jeremy Irons opening in Aphra Behn's *The Rover*.

Admittedly, Mr Nunn himself will be in Glynedebourne tonight supervising the opening of *Porgy and Bess*, but the Swan is realised by the donation of an American millionaire philanthropist, Frederick Koch, who has just abandoned his plan to instal his art collection in St John's Lodge in Regent's Park.

Koch's identity is now in the public domain, but the Royal Shakespeare Company refuses to confirm or deny in deference to his original, somewhat impracticable, insistence on anonymity.

These are difficult days for the subsidised theatre, not merely thanks to interlocking Press allegations about the personal wealth of Mr Nunn and Sir Peter Hall at the National. A mixture of dull programming, glorious weather and, especially, absentee tourists, has dealt a body blow to both companies.

Terry Hands, Mr Nunn's joint artistic director at the RSC, says that after playing to 95 per cent capacity at the Barbican during its first five years, the company is seriously (it sounds like reluctantly) considering Shaw for the autumn repertoire and an established policy of one musical a year. After *Les Misérables*, what next: *War and Peace*, *The Bible*, *Leah*, the Singalong King?

As the RSC struggles to make ends meet in the Barbican, to discover fresh and exciting ways of doing Shakespeare on the main Stratford stage, to reinvent its new plays policy and to encourage large-scale Barbican work of which Pam Cleave's *Danton* play (opening July 15) is the latest, the Swan represents a welcome chance to take stock and start again.

After the first two productions, Michael Redgrave's gilded thrust stage arena has been a hit with the critics although local awareness in Stratford, according to RSC general manager David Brierley, could be sharper. Next week *The Rover* opens along-

side *A Midsummer Night's Dream* in the main house and a new play about Hogarth in *The Other Place*. John Barton's production will be the first to fulfil one of the Swan's avowed functions of demonstrating the continuum between the Elizabethan/Jacobean repertoire and the Restoration.

Many of the RSC's and National's current problems stem from the architectural legacies of the 1960s, resulting in the Barbican and the South Bank. The Swan represents the backlash of inventing congenial theatre space inside already atmospheric conditions. In this case the shell of the old Memorial Theatre now used as a gallery and bookshop.

The newness of the wood creates a slight sense of Tudor Habitat (according to Shakespearean scholar Gary Taylor), but that, I am assured, will be broken down in time. The originally desired walnut planks were too expensive, so it is built in pine and oak, the governing idea, according to Mr Hands, of "a place papered with people." The director recalls an inspirational afternoon, with the architect, in John Barton's

walk-in dovecot in his country home, each dove with its own little space in a rising east house shape.

So far, *Two Noble Kinsmen* has been fascinating if a little over-produced, and Ben Jonson's *Everyman in His Humour* a golden retrieval from the library. Mr Hands sees the Swan as a source of star actors for the main theatre and cites (as indeed I selected in my review) the outstanding performances in *Everyman* of Pete Postlethwaite as Bobadil and Henry Goodman as Kiteley.

The cost of the Swan to Mr Koch is undeclared, but estimates hover around £1m. Every cost above that figure is charged against the Swan's revenue and Mr Brierley estimates that 80 per cent houses will cover such items as heating, lighting and additional actors.

The trouble, as for all theatres, has been Tripoli and the stayaway tourists. A total of 24 per cent of the RSC's audience in London and Stratford are tourists, 17.5 per cent of them American. This overall annual statistic is heavily reliant on the summer bulge.

What Mr Brierley calls "the



Trevor Nunn and Terry Hands: "We cherish and want to continue the family evolution"

June dip" has had disastrous consequences for the rest of the year. Stratford shows signs of reviving by mid-July, but the Barbican is being severely punished for risking Mnouchkine's *Mephisto* and Gemma Donlon *Air* (for which bookings are low) after five years of playing safe.

Luckily, the self-help policy will come into play here, as *Les Misérables* goes into profit. For its £300,000 investment, the RSC will make a very great deal of money based on 30 per cent of the British production's pro-

fits and an automatic share in foreign rights. The musical is to be produced in 21 countries and could well prove as big a commercial property as *Cats*.

This is no comfort, though, to Mr Brierley, who claims that if the level of funding to the RSC by the Arts Council had been maintained in accordance with the Priestley Report's recommendations three years ago, the problems would not arise. The RSC's Arts Council grant stands at £5.2m, an increase of £0.5m over the first post-Priestley grant base. This represents, over two years, less than one year's worth of genuine inflationary pressure on the revenue. This is why, says Mr Brierley, the Swan can only be self-supporting: the grant for four theatres is already devalued.

Mr Hands wonders wistfully if the British really want the company which, founded in 1960 by Peter Hall, is the envy of the world: "Last year we won the Queen's Award for Export, of which we are very proud, and did 62 weeks of touring at home and abroad. I do think it's about time we stopped this very English game of let's kill something because it's doing well." And in that, he is not merely expressing an over-familiar RSC paranoia about bad reviews.



The new 444-seater Swan: "a place papered with people"

## Ballet

## Sing praises unto Harlem

THE PERFORMANCE of two works as diverse as Balanchine's *Allegro Brillante* and Giselle on Thursday night told much about the qualities of the Dance Theatre of Harlem, and especially about the company's whole-hearted, whole-bodied involvement with the dance. A purist can find matters for criticism in some aspects of Balanchinean technique in *Allegro*, and in the sense of style in *Giselle*, but nothing save praise can be given to the physical intensity with which the choreography is displayed, and to the dedication to the number of the dance shown by the entire troupe.

*Allegro Brillante* was led by the excellent Stephanie Dabney and Donald Williams, and the cast plainly understand what they are dancing, and are proud to be performing it.

In this realisation of Chai-kovsky's third piano concerto we see Balanchine plain as the Harlem artists pounce upon the dance, driving it eagerly along, a quick motor pulse behind each step.

Miss Dabney is assured, and can find time, as is right for Balanchine, to explore allegro phrases without seeming either hurried or over-stretched: she is in happy command of the work, and is beautiful. The only deplorable matter is the company's use of the traditional costumes for the piece: the men in abbreviated bodices, the women in disastrous night-dresses. For the sake of their physical dignity, they must be re-clothed.

Frederic Franklin's imaginative recreation of *Giselle* as a drama set in the bayous of

Louisiana in the 1830s had its first, triumphant performance in London on the company's last visit a couple of years ago.

Among Mr Franklin's achievements is the fact that this is a dancer's Giselle rather than a producer's. Miss Johnson's reading is at times slightly driven by the orchestra tempo, but it is ever touching, credible. The lighting in the second set was, I thought, less than mysterious, in their ravishing Fortuny dresses, have a fine inevitability, and Eddie J. Shellman's bold Albrecht truly seems to be dancing for his life. And at every moment the Harlem dancers care deeply about what they do. They believe, and in this lies their great merit, because they make us believe, too.

Clement Crisp

## Farce

## Tricks in sets and matches

MANCHESTER'S Victorian splendour, dusty but still stylish in the summer bustle of late-night shopping, is certainly close to the *la mode* of the present-day London set for *For the Cause* in the Act, a Feydeau-esque farce by Maurice Hennequin and Pierre Veber (who died as recently as 1942), directed by Braham Murray at the Royal Exchange where the same authors' *How You Anything to Declare?* scored an unexpected success in 1980.

The predictably convoluted plot concerns the imputation of immorality to the blameless. The rigidly proper provincial judge (Michael Denison) is tricked into apparent intimacy with a notorious actress-coquette (Gabrielle Drake), hastily passed off as his wife at the unexpected arrival of the prime Minister of Justice (Lee Montague) who promptly falls for her. The real Mme Tricotte (Avril Elgar), an ex-kitchen maid with an obsessive urge to polish any brass available, is alternatively taken for a

cleaner and a scarlet woman. A comic grace-note is added by the couple's pretty daughter (Linda Lacey), who, after being hit on the head by a tennis-ball in England, can only contrive an English accent via sign language. This handicap sparks one of the play's funniest scenes when a young man proposes to her via the pompous police interpreter (Trevor Cooper, hitting the right note of complacency turning frantic), all fitting on a triple love-set in the tondril-swirling Art Nouveau hotel foyer of Stephen Doncaster's set.

The judge's plain, drudging wife, dutifully married 20 years before (since when he has "never enjoyed female flesh—

and what is worse, I have never enjoyed my food") is perfunctorily close to one of Gilbert's mocked elderly ladies. Mr Elgar's bewildered bedraggledom provides one marvellous moment when the Minister, desperate to drape the unclad cocotte whose dress has been stolen, advances on the supposed cleaner, hoarsely ordering her to strip. Miss Elgar's martyred smirk of incredulity, resignation and cautious excitement is a French farce in itself.

Mr Denison is a ramrod model of probity. Mr Montague's Minister as yet unfocused, compensates for a lack of natural suavity with over-statement. Miss Drake sweeps on beplumed and dazzling in green and black brocade (Terence Emery's costumes are a joy), looks enchanting, but is far too wholesome to seem natural running round a French ministry in knickers and corset; especially a French ministry.

Martin Hoyle

## Video

## Cast delivers a crash course

THE TV historical mini-series is fast becoming the 20th century's answer to the 18th century folly: polymorphous, ravenously eclectic and freely combining the sublime and the ridiculous. *Peter the Great* (ITV), yet unseen on British television, features six hours of lush alomping through Russian history with an outstanding cast and the world's top cinematographer. The players include Vanessa Redgrave, Laurence Olivier, Maximilian Schell (as Peter), Ursula Andress, Lilli Palmer and Omar Sharif. And the cameraman is Vittorio Storaro, virtuoso lens wielder of 1967, *Reds* and *Apocalypse Now*.

Those with tender funny-bones may giggle at some of this epic's dialogue: which runs on contrived Russian vocatives ("Yes, Sukurukhov?") and to one or two lines that might have come from "Carry On Up The Kremlin" ("You invoke the divinity at your convenience"). But as a crash course in history it is far more informative than such past Sovietist hokum as Dietrich in *The Scarlet Empress* or Bergner in *Catherine The Great*.

And the cast delivers all that could be expected. Redgrave devours the screen as the scheming Princess Sophia: plucked eyebrows, coal-black eyeliner, red wig, a Queen Elizabeth I translated to Moscow. Olivier's cameo as William of Orange is briefer and less memorable than his voice in the high wheedling mode of *The Dogs From Brazil*, but Trevor Howard erupts enjoyably as Sir Isaac Newton who insists that all tales of his being beheaded on the guillotine by an apple are apocryphal.

Nicol Anderson

Storaro. Even on video, which can chew up good cinematography and spit it out in pulped and lifeless pastels, his images have a dazzling distinction, especially his interiors textured by incense smoke, lambent with sunlight shafted from high windows or rosy with the glow of sunset, through which the characters loom like glided silhouettes. If only the script and direction had matched the images and the best performances, we might have had a video masterpiece.

Elsewhere, July offers a bewilderingly mixed bag. Gloria (RCA/Columbia) is John Cassavetes' glorious thriller, with wisecracks and streetwise sentimentality, training about a gangster's moll (Gena Rowlands) protecting a boy from the Mafia. At the bargain end of the movies-on-video market, reissued classics vie with modern masterworks: *Tati's Mon Oncle* (Stablecane), Bergman's *Autumn Sonata* (Channel 5), Joan Crawford in *Johnny Guitar* (Video Collection), Streep in *Sophie's Choice* (Channel 5).

July's Distinguished Clinker prize goes, alas, to Robert Altman's *O.C. and Stiggs* (MGM/UA). Made six years ago, this was the Nashville maestro's last out-and-about movie before he turned to the more closed world of theatrical adaptations (like the current *Footloose*). But the would-be comical tale of two teenage boys (Daniel H. Jenkins and Neil Barry) rambling through their summer vacations is rowdy and unfunny and has you thanking heaven for the fast-forward button.

## Radio

## Too few know what to do about it

THE ALARMING allegations about the nation's health made by the Faculty of Community Medicine this week were echoed in Radio 4's *State of Confusion* on Thursday. David Hobman, director of Age Concern, advised that 20 per cent of old people over 75 suffer from senile dementia, and added that too few of them knew what to do about it.

There were encouraging accounts of the voluntary assistance that seems to be the preferred treatment. "I don't do a lot," one volunteer said. She just called her patient every morning, fixed his dinner, went

shopping with him. The programme was followed by a phone-in, rightly left unbroadcast. Tomorrow afternoon, there will be a programme about people who have lost their memories (Radio 4, 3.30), concluded by Prof Anthony Clare.

Compensating a little for the unspeakable Comedy Playhouse series, Radio 4's latest Sunday evening serial is not only comic but intellectual. Saturday Keith in Eric Linklater's *Poet's Pub* is a working poet, and some of his guests are a bookish lot. Shame that Elizabeth Proud has only three instalments for her

adaptation. The characters seem rather badly developed: we are never really told why Saturday (Crawford Logan) has his odd name. But there is fun among the good conversation.

The epigraph with which the Radio Times introduced Gerry Jones's *Three-ring Circus* (Radio 3 yesterday) ran: "The world will end up a circus, where the clowns have killed all those who clapped them." This is hardly a novel thought, and Mr Jones's treatment is novel only in having the disaster take place in the mind of a mentally unstable patient.

White: J. H. Zukertort. Black: W. Steinitz. Queen's Gambit, Slav Defence (5th match game 1886).

1 P-Q4, P-Q4; 2 P-QB4, P-QB3; 3 N-QB3, N-B3; 4 P-K3, B-B4; 5 P-K3, P-K3; 6 N-K5, N-B3; 7 B-N5, Q-B2; 8 B-Q2, B-Q3; 9 P-B4, Q-Q1; 10 B-Q2, B-Q3; 11 B-Q2, Q-Q1.

Black should have played 4... P-K3. Zukertort flexibly delays casting so as to stop 4... N-K5 and force Black to exchange.

12... BxN; 13 B-PxN, N-K1; 14 Q-Q1, P-B3; 15 B-Q3, B-B2; 16 Q-B2, P-B4; 17 N-K2, B-Q2; 18 R-B2, Q-Q1; 19 B-B3, Q-N3; 20 Q-Q2, N-K2; 21 Q-R-B1, P-N3; 22 B-N1, Q-R3; 23 P-KN4, P-KN3; 24 P-KR3, R-B2; 25 R-K1, N-N2; 26 N-B4, N-B1; 27 P-F, N-FxP; 28 R-N2, R-K1; 29 R-K2, Q-B3.

Remember the furore over Kasparov's "mysterious doubled rook" in game 24 of the 1985 match? Here Zukertort has achieved "mysterious doubling," then switched the rooks effectively to another file.

30... N-K2; 31 Q-KB3, Q-K1.

A blunder, but Q-R4 and N-R5 are coning.

32 R-N1 Resigns.

PROBLEM No 627

BLACK (10 men)

WHITE (5 men)

White mates in two moves, against any defence (by G. Heathcote).

Solution Page XXII

Leonard Barden

## Jazz

## Free favours

THE ORGANISERS of the annual New Orleans in Lugano traditional jazz festival, held over three days in six piazzas in the picturesque Swiss town, are keen to maintain its friendly character and manageable size. The open-air venues, the informality, the fact that everything is free, and the programming ensure the success of this modest but congenial jazz get-together.

There was a coup in having for all three days New Orleans most illustrious extant group, the Dirty Dozen Brass Band. The Dozen is in fact eight, and their music, once described as "avant-garde traditionalism," was by far the most modern heard. A typical set is a rip-roaring, joyous trek through all jazz styles. With its unusual instrumentation of tuba, trombone, two trumpets, two saxophones, plus side drum and snare drum the band has an unusual repertoire to match. Compositions by Thelonious Monk and Duke Ellington are played in the same set as "High Society," "Little Liza Jane," "Sweet Georgia Brown" and "St James Infirmary."

Truly a band for an outdoor festival, the exhilarating Dirty Dozen brought an extra authentic whiff of their native city when they marched along Lugano's main lakeside via, playing in street parade fashion. The parade was somewhat haphazard, with the Dozen making an unscheduled turn into a piazza where five young French women "Certain l'aiment chaud" (Some Like it Hot) were playing early—some would say classic—New Orleans jazz on washboard, sousaphone, banjo, trumpet and sax.

This bizarre quintet was one of several at the festival which could at best be termed forgettable. The Ishmael Singers, a Gospel group originating from Chicago but presently located in Germany, attracted a large congregation to Lugano's Cattedrale di San Lorenzo one afternoon. They inflicted community singing for "When the Saints Go Marching In."

The personable singer Carrie Smith is a guaranteed success at any festival and, with the ever-amazing tenorist/flautist/clarinetist Buddy Tate and his swinging trio behind her, was as vibrant and entrancing as always.

The biggest surprise of the festival was a relatively unknown American boogie-woogie pianist/singer, Al Copley, at present living in Europe. With



Al Copley

such illustrious bluesmen as Sammy Price and Memphis Slim playing every day on the piano stand in Piazza San Carlo it could have been hard to grab the limelight, but Copley took his chance to become the most favoured pianist of the seven featured soloists.

Of the other singer/pianists Laura Fedele (from Italy) again caught the attention, as she did last year. She was also heard with her interesting new group, scatting and singing with Paola Franzini, with sax and trumpet behind them. British pianists Keith Nicols and Diz Watson presented different styles of New Orleans music with their respective groups.

British expatriates Rod Mason and Bob Barton led their own bands. Mason's Hot Five was Chicago but presently located in Germany, attracted a large congregation to Lugano's Cattedrale di San Lorenzo one afternoon. They inflicted community singing for "When the Saints Go Marching In."

The budget for this year's festival was Sfr. 200,000, well over half of which was contributed by the official sponsor Credito Svizzero (Credit Suisse). Important assistance came also from Switzerland's internal airline Crossair, and from the town of Lugano itself, clearly aware of the benefits that a jazz festival could bring. British resorts and banks please note.

Kevin Henriques

That one-legged pirate is back - more deadly and cunning than ever!



'JOHN SILVER'S RETURN TO TREASURE ISLAND' begins ITV transmission TONIGHT at 5.05P.M.

A stunning series written by John Goldsmith as a sequel to the Stevenson classic and filmed in the Caribbean.

Brian Blessed, Christopher Guard, and Kenneth Colley head an outstanding cast.

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LIMLEY CAZALET, 24, Davies St., W1. 01-499 5055. PICASSO, Images of Women. Until 18 July.

MATTHEWSEN, 7-5, Masons Yard, Duke St. 01-499 5055. BARDQUE TT, 1520-1700. Until 15 August. Mon-Fri. 10-5.

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